STATEMENT OF ACCOUNTS

2015/16

Hammersmith & Fulham Council

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham

We have audited the financial statements of the London Borough of Hammersmith and Fulham for the year ended 31 March 2016 on pages 18 to 105. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Finance Director and auditor

As explained more fully in the Statement of the Strategic Finance Director's Responsibilities, the Strategic Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Finance Director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

· give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;

· give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

· have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 106 to 114 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on the London Borough of Hammersmith and Fulham's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether the London Borough of Hammersmith and Fulham had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Hammersmith and Fulham put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Hammersmith and Fulham had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the London Borough of Hammersmith and Fulham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of the London Borough of Hammersmith and Fulham in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Sayers, for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
15 Canada Square
London E14 5GL
30-Sep-16

CERTIFICATION BY CHAIRMAN OF THE AUDIT PENSIONS AND STANDARDS COMMITTEE

I confirm that these accounts were approved by the Audit, Pensions and Standards Committee on 13 September 2016

Councillor Iain Cassidy
13 September 2016

CONTENTS

The Strategic Finance Director's Narrative Report, the Council's Statement of Accounts for the Year Ended 31 March 2016 and the Council's Annual Governance Statement are set out on the following pages.

THE STRATEGIC FINANCE DIRECTOR’S NARRATIVE REPORT

An Introduction from Hitesh Jolapara, Strategic Finance Director

Hammersmith and Fulham is a dynamic, diverse and exciting place to live and work. Sitting alongside four and half miles of the River Thames and nestled between Europe’s busiest airport, the City of London and London’s West End, the Borough is a significant centre for business, the arts, culture and leisure.

Many people may not find local authority finances to be the most exciting of subjects but they underpin everything we do. And what we do is a lot! – from housing to education, social care to transport, libraries to leisure. And whether it is protecting children in care, meeting the challenges of an ageing population or simply making preparations for next year’s boat race, finance will play a crucial role.

Hammersmith and Fulham, like most local authorities, has faced significant financial challenges in recent years. The austerity agenda has triggered unprecedented cuts while at the same time demand for our services has increased. During this time the importance of finance has only been reinforced as we look for ever more efficient ways to make diminishing resources go further.

The Statement of Accounts presented here not only bears witness to the challenges we face but also demonstrates how we at Hammersmith and Fulham have risen to those challenges.

Looking back to 2015/16, the Council has had another successful year. At the beginning of the year – through our budget process - we found savings and efficiencies of £23.8m and were able to cut Council Tax by 1%, while at the year-end we have been able to deliver an underspend of over £5m. The Council moves into 2016/17 with a balanced budget and an additional planned contribution to reserves of £4m. Our strong balance sheet and healthy level of one-off reserves enables us to plan with confidence for the future.

The financial challenge facing all local authorities is ongoing and, if anything, increasing. The Council continues to put financial considerations at the heart of everything it does and is using innovative approaches – such as smarter budgeting (outcomes transformation programme) – to continue delivering sound finances.

THE COUNCIL’S PERFORMANCE

The development of the Delivery Plan model at the start of 2015/16 meant that monitoring of strategic performance could be carried out by both Cabinet members and senior officers. Outcome-based deliverables were assigned to lead Cabinet members and to accountable officers in order to ensure clear lines of political and managerial responsibility. Progress reports were taken monthly at H&F Business Board and quarterly by Cabinet members. The Council adopted 219 deliverables of which nearly 90% were complete or 'on track or on time' at the end of the year. The following is a summary of achievements in 2015/16 broken down by Delivery Plan headings.

Area	Deliverables	%age Complete or On Track
Health and Adult Social Care	28	100%
Affordable Homes	41	95%
Delivering Grater Efficiency	24	88%
Social Inclusion	42	79%
Stronger Local Economy and Power to Local Communities	20	75%
Safer, Greener Borough	35	89%
Best Start for Young People	29	97%
Total	**219**	**89%**

Priorities for 2016/17

The Delivery Plan priorities for 2016/17 have been grouped slightly differently in anticipation of the Smarter Budgeting programme from 2017/18 onwards. Smarter Budgeting is the corporate outcomes-based budgeting transformation initiative which seeks to better allocate budgets and activities/services to achieve improved outcomes for residents. Social inclusion, value for money and responsiveness to residents is at the heart of the programme and headline themes for deliverables are as follows:

- **Economic growth**
- **The Best Start in Life for Children**
- **Resident Involvement**
- **Decent Homes**
- **Reducing Homelessness and Overcrowding**
- **Supporting Vulnerable Adults**
- **Safer & Healthier place**
- **Cleaner, Greener, Sustainable borough**

FINANCIAL PERFORMANCE

Economic climate and Future Outlook

Local government finances continue to be dominated by the austerity agenda. From 2010/11 to 2015/16 the Council's government funding was cut by £66m and further cuts will continue until at least 2019/20. Despite this pressure the Council remains well positioned in a demanding environment.

The Council has embedded the Medium Term Financial Strategy (MTFS) within its business planning framework. The MTFS has been the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks. The Council's funding reduction from government was £8.2m in 2016/17. In addition the Government has imposed £3.4m of unfunded new burdens on the Council for 2016/17. Funding is forecast to reduce by a further £25m from 2017/18 to 2019/20.

For 2016/17 the Council has frozen Council Tax, which included not levying a 2% 'social care precept' as suggested by Central Government. This means that H&F residents will pay Council Tax at 3.75% below the level modelled (2% social care precept and 1.75% for Council Tax) by the Government in 2016/17.

The Council's 2016/17 Budget Strategy recognised the challenge in delivering the scale of budget reductions and recommended that the range for the optimal level of general balances be maintained at £14m - £20m. The actual general balances carried forward at the close of 2015/16 are £19m.

For 2017/18 we have started a major change programme to better focus our services on the positive differences they make for H&F residents. This smarter budgeting programme will see us better align our strategy and resources with the 8 outcomes that matter most to our residents.

Financial Management – A look back

Revenue

Annually, the Council sets the revenue budget – this sets out the Council's spending plans on day-to-day expenditure which includes everything from staff salaries, building maintenance and the costs of running refuse vehicles. It is a legal requirement of the Council to set a balanced budget i.e. expenditure cannot be more than the Council's income. In brief, the 2015/16 budgets included:

- A Council Tax reduction of 1%;
- Savings of £24m off-setting cost pressures and grant losses; which produced:
- a net revenue budget requirement of £158.4m funded from Council Tax, the local share of business rates and Revenue Support Grant from government within a gross budget of £667m

The revenue outturn for 2015/16 includes:

• A General Fund under-spend of £5.2m. After deducting departmental carry-forwards of £0.7m the net General Fund underspend was £4.5m.
• General Fund and earmarked reserves at 31 March 2016 of £109m and
• A stable balance sheet (total net assets have increased, but due substantially to the annually updated revaluation of property, plant and equipment).

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats.

The net under-spend on the General Fund of £4.5m reflected a 2 per cent under-spend by departments. The under-spend has been transferred to the Managed Services Reserve and the Efficiency Reserve.

The summary **General Fund outturn** position is as set out below:

Department	**Budget**	**Actual**	**Over/ (Under) Spend**
	£'000	**£'000**	**£'000**
Children's Services	54,913	55,469	556
Adult Social Care	63,842	63,781	(61)
Housing & Regeneration	8,723	8,710	(13)
Controlled Parking Account	(20,040)	(22,210)	(2,170)
Environmental Services	46,772	46,405	(367)
Public Health	4	4	-
Libraries and Archives	2,199	2,200	1
Corporate Services	21,991	21,308	(683)
Centrally Managed Budgets	19,272	16,831	(2,441)
Gross Operating Expenditure	**197,676**	**192,498**	**(5,178)**
less approved budget carried forward	(700)	-	700
Net Operating Expenditure	**196,976**	**192,498**	**(4,478)**
Technical and Financial Accounting Adjustments	(8,561)	(8,561)	-
Non-Domestic Rates (NDR) Tariff	2,937	2,937	-
Capital Grants	(16,129)	(16,129)	-
Non-Ring-fenced Revenue Grants	(10,580)	(10,580)	-
Net Contribution to Earmarked Reserves	(6,215)	(1,737)	4,478
Net Contribution to General Reserves	-	-	-
Total Net Expenditure	**158,428**	**158,428**	**-**

Funded by:			
Formula Grant	47,791	47,791	-
Localised NDR	56,417	56,417	-
Council Tax	54,220	54,220	-
Total Funding	**158,428**	**158,428**	**-**
Final Position	-	-	-

The Net Operating Expenditure is reconciled to the financial statements in Note 6.

The Statement of Accounts also includes the ring-fenced **Housing Revenue Account** for the provision of social housing. The Housing Revenue Account generated a surplus of £5.4m, after transfers to earmarked reserves. This surplus has been transferred to the HRA working balance. Full details are set out in the HRA Statement of Accounts.

The Council's **Balance Sheet** as at 31 March 2016 is summarised below. The overall position is substantially stable.

LBHF Summary Balance Sheet	**31-Mar-16** **£m**	**31-Mar-15** **£m**
Long Term Assets	1,899	1,757
Current Assets	444	437
Current Liabilities	(206)	(190)
Net Pension Liabilities	(491)	(522)
Other Long Term Liabilities	(250)	(257)
Net Assets	**1,395**	**1,225**
Represented by:		
Usable Reserves	(258)	(267)
Unusable reserves	(1,137)	(958)
Total Reserves	**(1,395)**	**(1,225)**

The breakdown of the usable reserves is set out below:

LBHF Summary Usable Reserves	**31-Mar-16** **£m**	**31-Mar-15** **£m**
General Fund Balance	(19)	(19)
General Fund Earmarked Reserves	(90)	(90)
HRA Balance and Earmarked Reserves	(41)	(28)
Schools Reserves	(14)	(15)
Capital Reserves (Receipts and Grants)	(94)	(115)
Total	**(258)**	**(267)**

Pension Liabilities

The Council has net pension liabilities of £491m on its Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates. The current contribution rate is set on the basis of the cost of the future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years. This was set from the latest triennial actuarial valuation as at 31st March 2013. The next actuarial valuation of the pension fund will be as at 31st March 2016 and will be published in 2017.

Capital

The Council’s Capital Programme captures the spending of what is typically "one-off" money to purchase or improve the Council’s long-term assets (such as buildings and vehicles). In 2015/16, the actual capital expenditure (outturn) totalled £96 million. The table below summarises capital expenditure by service area:

Department	**2015/16** **£'000**	**2014/15** **£'000**
Adult Social Care	1,392	1,122
Children's Services	19,039	28,609
Environmental Services	9,644	10,413
Housing Revenue Account Programme	53,592	49,803
Housing and Regeneration	12,023	6,987
Libraries and Archives	89	1,036
Total	**95,779**	**97,970**

The 2015/16 capital programme was financed as follows:

Capital Financing	2015/16 £'000	2014/15 £'000
Capital receipts	49,013	41,538
Increase in Capital Finance Requirement (CFR)	1,117	-
Capital Grants and Contributions	22,744	30,135
Major Repairs Reserve (MRR)	16,685	23,256
Council and School reserves	3,608	2,884
Housing Revenue Account	2,300	113
General Fund Revenue Account	312	44
Total	**95,779**	**97,970**

Financial Management – A look forward

Revenue

The 2016/17 budget was approved by Council in February 2016. This budget focused on protecting front-line services and value for money and included the following:

- A freeze to Council Tax, which included not levying a 2% ‘social care precept’ as suggested by Central Government.
- Growth of £6.3m to meet statutory obligations, demographic and service pressures and key local priorities, off-set by:
- Savings of £15.4m to balance the 2016/17 budget and to meet the ongoing challenge of unprecedented government funding cuts.
- An additional contribution to reserves of £4m to fund future efficiency projects
- A standard up lift of 1.1% in fees and charges based on August 15 retail price index, with all Adult Social care, Children’s services, parking and Housing charges frozen.

Capital

The Council has an ambitious capital programme for the period 2016-20. The Council plans to spend £286.3m over this period.

The programme includes:

- A Housing programme in excess of £200m.
- The continuation of the School’s Organisation Strategy (within Children’s Services) which is committed to increasing school places in the Borough.
- The continuation of the Council’s rolling programmes for Disabled Facilities Grants, Planned Building Maintenance, Footways and Carriageways and Parks.
- The planned refurbishment of Hammersmith Town Hall (within the Planned Building Maintenance programme). This project is designed to increase the usage and occupancy of the Town Hall, thereby allowing other corporate property to be vacated and savings realised.

A summary of planned expenditure by department and funding is shown below:

LBHF Capital Programme 2016/17 to 2019/20

		Indicative Budgets			
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total Budgets (all years) £000
CAPITAL EXPENDITURE					
Children's Services	30,199	12,045	390	-	**42,634**
Adult Social Care	1,707	450	450	450	**3,057**
Environmental Services	11,311	7,731	7,731	7,731	**34,504**
Libraries	250	-	-	-	**250**
Total Non-Housing Expenditure	**43,467**	**20,226**	**8,571**	**8,181**	**80,445**
HRA Programme	47,836	26,117	21,131	21,943	**117,027**
Decent Neighbourhoods Programme	21,315	21,421	28,222	17,829	**88,787**
Total Housing Expenditure	**69,151**	**47,538**	**49,353**	**39,772**	**205,814**
TOTAL EXPENDITURE	**112,618**	**67,764**	**57,924**	**47,953**	**286,259**

CAPITAL FINANCE					
Government/Public Body Grants	(21,508)	(4,756)	(2,298)	(2,157)	**(30,719)**
Developers Contributions (S106)	(5,010)	-	-	-	**(5,010)**
Leaseholder Contributions (Housing)	(4,093)	(2,849)	(2,849)	(2,849)	**(12,640)**
Total Specific/External Financing	**(30,611)**	**(7,605)**	**(5,147)**	**(5,006)**	**(48,369)**
Capital Receipts - General Fund	(11,280)	(5,550)	(5,480)	(5,480)	**(27,790)**
Capital receipts - Housing	(28,443)	(8,794)	(9,064)	(16,488)	**(62,789)**
Revenue Funding - General Fund	(544)	(544)	(544)	(544)	**(2,176)**
Revenue Funding - HRA	(3,514)	(3,702)	(353)	(1,562)	**(9,131)**
Major Repairs Reserve (Housing)	(17,377)	(17,820)	(18,325)	(18,873)	**(72,395)**
Total Mainstream Funding	**(61,158)**	**(36,410)**	**(33,766)**	**(42,947)**	**(174,281)**
Internal Borrowing	(20,849)	(23,749)	(19,011)	-	**(63,609)**
TOTAL CAPITAL FINANCING	**(112,618)**	**(67,764)**	**(57,924)**	**(47,953)**	**(286,259)**

The Capital Programme is fully funded from internal resources or internal borrowing. As at the end of 2015/16 the Council's Capital Finance Requirement (CFR) remains close to the lowest levels experienced in the past ten years. There are currently no plans to borrow externally, however the Council has access to the borrowing facilities of the Public Works Loans Board were the need to arise. The Council will continue to review capital borrowing through the Capital Programme and the Treasury Management Strategy.

The Referendum on Britain's Membership of the European Union

On 23rd June 2016 a referendum was held on the UK's membership of the European Union (EU). The result was in favour of the UK to leave the EU.

While there has been market volatility since the referendum, a reasonable estimate of the medium to long-term financial effect of 'Brexit' cannot be made at this stage. The government has yet to trigger Article 50 of the Lisbon Treaty – which will initiate proceedings for the UK to leave the EU – and thereafter negotiations may take up to two years.

The Council continues to monitor closely the impact of Brexit and will factor these impacts into its medium term financial planning as and when they become clear.

THE ENVIRONMENT

Carbon reduction

Reducing carbon emissions helps the environment and saves money. Simple changes can make our homes, schools, workplaces and local services more energy efficient.

We are committed to doing everything we can to improve our energy efficiency and reduce our carbon footprint. In 2007 we signed up for the Nottingham Declaration on Climate Change which commits us to actively tackling climate change and reducing our carbon emissions.

We also support the Climate Change Act 2008 which is the UK framework to improve carbon management.

Air quality and climate change

Despite improvements in air quality since the 1950s, air pollution continues to affect our health. In any urban environment, the major source of airborne pollutants is exhaust emissions from traffic. Hammersmith & Fulham has the eighth highest percentage of early deaths attributable to nitrogen dioxide and to particulate matter air pollution in London, according to a report by King's College London. The report, commissioned by the Greater London Authority and Transport for London, estimates that this contributes to the early deaths of 203 residents per year.

In response to this, the Council has established a resident-led Air Quality Commission to look into the problem. The commission will engage with external experts and local residents in examining the causes and dangers of local air pollution and propose potential solutions to help reduce it. Visit the Air Quality Commission's web page.

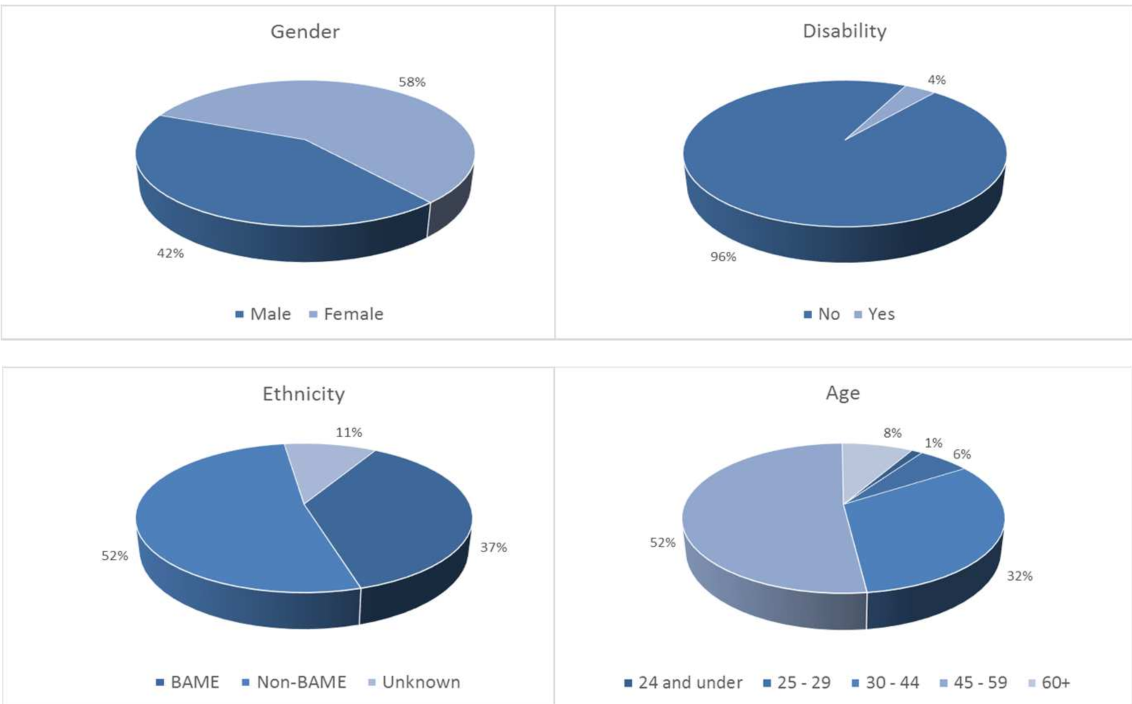
Two pollutants Nitrogen dioxide and Benzene have been monitored at sites around the Borough. This monitoring provides average concentrations over a period of several weeks and is useful in establishing general trends. We also measure pollutants called Polycyclic Aromatic Hydrocarbons (PAHs) – a group of organic compounds associated with emissions from motor vehicles. We also use monitoring stations to measure pollution at Hammersmith Broadway, Brook Green, Scrubs Lane and Shepherds Bush Green. Further details are on our air quality monitoring station page.

Further details on how the Council is tackling a range of environmental issues, including contaminated land and the control of hazardous substances are available on the Council's website here:

https://www.lbhf.gov.uk/environment/pollution-and-air-quality

PEOPLE

The Council employs 3,454 people in full time and part-time contracts. The Council's workforce generally reflects the diversity of residents across the Borough. Below is a detailed breakdown of the Council's employees.



PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process is reviewed periodically. The table below shows our top risks.

Below are our top risks derived from the Council's high level risk register.	**Impact.**	**Mitigation.**
Continued reductions in government funding, which restricts revenue spending.	May adversely impact on the Council's ability to run full services and may mean that some services are changed or reduced.	Robust Medium Term Financial Strategy (MTFS) Process; Smarter Budgeting initiative; Collaborative working with partners and subsidiaries.
Safeguarding, protecting young people from harm.	Potential harm to children.	Policies, training and management controls, lessons learnt from reviews and enhanced checks.
Additional demands created by new legislation in particular the Care Act.	Increased demand for adult and children care services, creating additional budgetary pressures. Increased strain on service.	Further focus on integration with health services, focus on preventative and re-ablement services.
Risks associated with major system and process change following implementation of the Managed Services Programme.	Potential inaccuracy or incompleteness of financial or human resources transactions. Increased difficulty in executing transactions in a timely manner.	Programme management, relationship management with the service provider, retention of in-house staff and systems. Robust analytical reviews.
Information risks associated with Cyber-crime.	Disruption to the continuity IT function. Theft of data.	Continuity planning and deployment of technological controls.
Large scale Transformation Programmes, in particular the I.T. service moving to a new service providers.	New service provider is not operational in time or data is not transferred in good order.	Transformation programme.
Contract management.	Contractor underperforms impacting directly or indirectly on service users.	Improved processes and systems utilising the council's electronic procurement and contract management software system.

FINANCIAL STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the financial year 2015/16 and its Balance Sheet at 31 March 2016. This covers the General Fund, Housing Revenue Account, Pension Fund and the Collection Fund.

The Statement of Accounts comprises:

Key Financial Statements

• The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure or reduce the Council Tax; unusable reserves cannot.

• The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

• The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2016. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

• The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

Explanatory Notes

• The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

Supplementary Financial Statements

• The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the Council's tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the Council to account separately for the cost of its activities as a landlord in the provision of council housing.

• The **Collection Fund Accoun**t summarises the income and expenditure relating to the collection of Council Tax and non-domestic rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Hammersmith and Fulham council tax payers to the costs of local services and its distribution to the Greater London Authority.

• The **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31st March 2016 (Net Assets Statement).

The **Annual Governance Statement** is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the Council.

ACCOUNTING POLICIES

The 2015/16 accounts are compliant with International Financial Reporting Standards (IFRS). They comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2015 (the Code) which is based on IFRS.

The accounting policies adopted by the Council comply with the Code and are set out in Note 1 to the Statement of Accounts. These are substantially unchanged from 2014/15.

GROUP ACCOUNTS

As with the 2014/15 Statement of Accounts, Group Accounts have not been included in the 2015/16 Statement of Accounts on the grounds that they do not have a material effect on the overall statements. Their inclusion does not provide any more usefulness to readers. The Council considers the Hammersmith and Fulham Bridge Partnership (HFBP) as a Subsidiary. Details on the total 2015/16 net assets and profit and loss for HFBP (with 2014/15 comparators) can be found in Note 38 (Interest in Companies) to the key financial statements, along with contact details for the procurement of the full accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:
- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Finance Director.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Strategic Finance Director

The Strategic Finance Director is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Finance Director has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting.

The Strategic Finance Director has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE STRATEGIC FINANCE DIRECTOR

I confirm that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2016 and income and expenditure for the year for the financial year 2015/16.

H Jolapara

Hitesh Jolapara
Strategic Finance Director
13 September 2016

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

Notes to the Accounts

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund (GF) Balance £000	Schools Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account (HRA) £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014		**(19,004)**	**(16,746)**	**(92,589)**	**(42,694)**	**(7,494)**	**(6,668)**	**(71,049)**	**(878)**	**(257,122)**	**(922,423)**	**(1,179,545)**
Movement in Reserves during 2014/15												
(Surplus) or Deficit on Provision of Services (Restated)		3,520	-	-	-	(89,274)	-	-	-	(85,754)	-	(85,754)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	40,558	40,558
Total Comprehensive Income and Expenditure		**3,520**	**-**	**-**	**-**	**(89,274)**	**-**	**-**	**-**	**(85,754)**	**40,558**	**(45,196)**
Adjustments between accounting basis & funding basis under regulations	7	(12,053)	2,395	-	(1,415)	79,790	6,668	914	-	76,299	(76,299)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(8,533)**	**2,395**	**-**	**(1,415)**	**(9,484)**	**6,668**	**914**	**-**	**(9,455)**	**(35,741)**	**(45,196)**
Transfers to/(from) Earmarked Reserves	8	8,533	(624)	(11,721)	-	3,812	-	-	-	-	-	-
(Increase)/Decrease in 2014/15		**-**	**1,771**	**(11,721)**	**(1,415)**	**(5,672)**	**6,668**	**914**	**-**	**(9,455)**	**(35,741)**	**(45,196)**
Balance at 31 March 2015		**(19,004)**	**(14,975)**	**(104,310)**	**(44,109)**	**(13,166)**	**-**	**(70,135)**	**(878)**	**(266,577)**	**(958,164)**	**(1,224,741)**
Movement in Reserves during 2015/16												
(Surplus) or Deficit on Provision of Services		26,912	-	-	-	(51,301)	-	-	-	(24,389)	-	(24,389)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(146,043)	(146,043)
Total Comprehensive Income and Expenditure		**26,912**	**-**	**-**	**-**	**(51,301)**	**-**	**-**	**-**	**(24,389)**	**(146,043)**	**(170,432)**
Adjustments between accounting basis & funding basis under regulations	7	(28,869)	2,862	-	477	37,942	(406)	21,184	-	33,190	(33,190)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(1,957)**	**2,862**	**-**	**477**	**(13,359)**	**(406)**	**21,184**	**-**	**8,801**	**(179,233)**	**(170,432)**
Transfers to/(from) Earmarked Reserves	8	1,957	(1,420)	(8,542)	-	8,005	-	-	-	-	-	-
(Increase)/Decrease in 2015/16		**0**	**1,442**	**(8,542)**	**477**	**(5,354)**	**(406)**	**21,184**	**-**	**8,801**	**(179,233)**	**(170,432)**
Balance at 31 March 2016 carried forward		**(19,004)**	**(13,533)**	**(112,852)**	**(43,632)**	**(18,520)**	**(406)**	**(48,951)**	**(878)**	**(257,776)**	**(1,137,397)**	**(1,395,173)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		Year Ended 31 March 2016			**Year Ended 31 March 2015**		
	Notes	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Central services to the public		9,442	(5,587)	3,855	10,959	(4,518)	6,441
Cultural and Related Services		9,317	(3,404)	5,913	11,534	(3,838)	7,696
Environment and Regulatory Services		34,694	(8,876)	25,818	35,147	(8,799)	26,348
Planning Services		12,610	(7,244)	5,366	10,724	(6,086)	4,638
Education and children's services		188,217	(131,459)	56,758	204,033	(132,725)	71,308
Highways and transport services		44,062	(41,014)	3,048	42,423	(42,069)	354
Local authority housing (HRA)		61,050	(82,267)	(21,217)	62,273	(80,644)	(18,371)
Local authority housing (HRA) - Dwelling Revaluation	9	(26,633)	-	(26,633)	(56,622)	-	(56,622)
Other housing services		181,975	(171,533)	10,442	186,968	(177,491)	9,477
Adult social care		93,965	(30,843)	63,122	91,560	(29,055)	62,505
Public Health		21,481	(21,476)	5	19,149	(19,149)	-
Corporate and democratic core		4,852	(170)	4,682	4,274	(820)	3,454
Non distributed costs - General		9,655	-	9,655	9,215	(449)	8,766
Cost of Services		**644,687**	**(503,873)**	**140,814**	**631,637**	**(505,643)**	**125,994**
Other Operating Expenditure	10	4,801	(1,876)	2,925	7,811	(37,549)	(29,738)
Financing and investment income and expenditure	11	31,245	(4,169)	27,076	34,429	(6,191)	28,238
Taxation and non-specific grant income and expenditure	12	2,937	(198,141)	(195,204)	2,882	(213,130)	(210,248)
(Surplus) or Deficit on Provision of Services				**(24,389)**			**(85,754)**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(96,176)			(38,087)
(Surplus) or deficit on revaluation of available for sale financial assets				585			525
Remeasurements of the net defined benefit liability (asset)	32			(50,452)			78,120
Other Comprehensive Income and Expenditure				**(146,043)**			**40,558**
Total Comprehensive Income and Expenditure				**(170,432)**			**(45,196)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves, unusable reserves, are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	**31 March 2016**	**31 March 2015**
		£000	**£000**
Property, Plant and Equipment	13	1,807,251	1,666,821
Heritage Assets	15	8,023	8,023
Investment Property	14	80,940	79,310
Intangible Assets		805	883
Long Term Investments	25	100	100
Long Term Debtors	25	1,637	1,648
Long Term Assets		**1,898,756**	**1,756,785**
Assets Held for Sale	21	3,889	2,401
Short Term Investments	25	264,830	320,596
Short Term Debtors	19	74,125	55,558
Inventories		55	74
Cash and Cash Equivalents	20	100,665	58,823
Current Assets		**443,564**	**437,452**
Short Term Borrowing	25	(9,869)	(18,856)
Short Term Creditors	22	(174,902)	(138,563)
Provisions	24	(12,676)	(20,411)
Grants and Contributions Receipts in Advance	35	(8,367)	(12,595)
Current Liabilities		**(205,814)**	**(190,425)**
Long Term Borrowing	25	(225,073)	(232,144)
Long Term Creditors	25	(100)	(100)
Provisions	24	(303)	(717)
Other Long Term Liabilities	23	(499,345)	(531,178)
Grants and Contributions Receipts in Advance	35	(16,512)	(14,932)
Long Term Liabilities		**(741,333)**	**(779,071)**
NET ASSETS		**1,395,173**	**1,224,741**
Usable Reserves	7	(257,776)	(266,577)
Unusable Reserves	7	(1,137,397)	(958,164)
TOTAL RESERVES		**(1,395,173)**	**(1,224,741)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority. The Cashflow Statement has been prepared using the indirect method.

	Notes	2015/16 £000	2014/15 £000
Net surplus or (deficit) on the provision of services		24,389	85,754
Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	27,327	3,528
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(28,236)	(73,394)
Net cash flows from Operating Activities		**23,480**	**15,888**
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(76,397)	(82,171)
Purchase of short-term and long-term investments		-	(39,125)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		28,235	73,394
Proceeds from short-term and long-term investments		55,766	-
Other receipts from investing activities		25,793	15,693
Net cash flows from Investing Activities		**33,397**	**(32,209)**
Financing Activities			
Cash receipts of short and long term borrowing		-	-
Other receipts from financing activities		990	24,416
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(505)	(793)
Repayments of short and long term borrowing		(15,520)	(2,890)
Other payments for financing activities		-	-
Net cash flows from Financing Activities		**(15,035)**	**20,733**
Net increase or (decrease) in cash and cash equivalents		**41,842**	**4,412**
Cash and cash equivalents at the beginning of the reporting period		58,823	54,411
Cash and cash equivalents at the end of the reporting period	20	**100,665**	**58,823**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

i. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

• Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

• Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

• Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

• Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

• Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery an allowance for doubtful debt is made. In both instances a charge is made to revenue for the income that might not be collected.

iv. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

• Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.

• Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1. Statement of Accounting Policies (cont'd)

v. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income & Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

viii. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits, or service potential associated with the item, will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

The threshold for capital expenditure has been set at £10,000.

1. Statement of Accounting Policies (cont'd)

Measurement

Assets are initially measured at cost, comprising:

• the purchase price.
• any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

• infrastructure, community assets and assets under construction - depreciated historical cost.
• dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH).
• council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.

• school buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.

• surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

• all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Depreciated Replacement Cost is used as an estimate of current value where there is no market-based evidence of current value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for current value where non-property assets have short useful lives or low values (or both).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

All items of property, plant and equipment, except Council Dwellings, are revalued on a five year rolling programme by each department. Council Dwellings are revalued annually.

Where decreases in value are identified, they are accounted for by:

• where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
• where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:
• where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
• where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1. Statement of Accounting Policies (cont'd)

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted, where material, for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for Surplus Assets, assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight line basis with no residual value.

The following depreciation treatment has been adopted for the various categories of assets; the useful lives stated below cover the majority of assets in each category:

- All Buildings (including Council dwellings) are depreciated over periods ranging from 5 to 60 years. Further enhancement expenditure is depreciated over a shorter period (from 4 to 10 years).
- Infrastructure is depreciated over periods ranging from 3 to 40 years.
- Vehicles, Plant and Equipment are depreciated over periods ranging from 4 to 25 years.
- Community Assets are generally depreciated over a 5 to 73 year period.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, leading to a significantly different depreciation profile, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is assessed immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 75% of receipts relating to Right to Buy disposals (net of statutory deductions and allowances) is payable to the Government, except where receipts have been retained under the 1-4-1 replacement scheme.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant or equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1. Statement of Accounting Policies (cont'd)

ix. HERITAGE ASSETS

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Valuation Policy

The Council has decided to disclose Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment, except where it is not practical to obtain a valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external Valuers, nor is there any prescribed minimum period between valuations.

Depreciation, amortisation and impairment policy

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

(i) Art Collections
This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(ii) Books & Printed Materials
This category consists of books, and other printed material such as press, pictures, drawings and prints. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iii) Ceramics & Glass
This category consists of ceramics and glass. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iv) Other Heritage Assets
This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

x. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xi. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

1. Statement of Accounting Policies (cont'd)

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

• a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

• a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

• a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

• finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Sale and Leaseback Assets

Where the Council has sold a property but is leasing it back, the substance of the lease is reviewed to determine if it falls under this policy.

Where the leaseback is a finance lease the lease is accounted for as any other finance lease with any apparent initial gain on the disposal deferred and amortised over the lease term.

Where the leaseback is an operating lease the lease is accounted for as any other operating lease and the asset disposed of is treated as an Asset Held for Sale and accounted for accordingly.

xii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) the liability was written down by an initial capital contribution of £2.9m.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- fair value of the services received during the year - debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge between 8-17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xiii. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1. Statement of Accounting Policies (cont'd)

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but ranging between 3 to 10 years, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First-in, First-out' (FIFO) costing formula.

xv. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

xvi. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:
• **loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market; and
• **available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

1. Statement of Accounting Policies (cont'd)

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for that particular instrument. For most of the loans which the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement in the year is the amount which the loan agreement identified as receivable.

When material soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a past event and there is a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
• Instruments with quoted market prices – the market price;
• Other instruments with fixed and determinable payments – discounted cash flow analysis;
• Equity shares with no quoted market prices – professional estimate.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.

Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

1. Statement of Accounting Policies (cont'd)

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Financial Instruments Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xvii. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the following pension schemes:

• Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
• Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
• The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes:
• The liabilities of the Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
• Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (3.3% in 2014/15). The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve which is consistent with the approach used in 2014/15.
• The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

• The change in the net pensions liability is analysed into the **following components**:

Service Cost comprising:

- **current service cost:** the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **past service cost:** the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier year - debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **net interest on the net defined benefit liability (asset):** i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- **Re-measurement of the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses** (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) debited to the Pensions Reserve.

Contributions paid to the Funds - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

xviii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1. Statement of Accounting Policies (cont'd)

Contingent Liabilities

A contingent liability arises where:

(a) an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council, or
(b) in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

xix. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets (e.g. Revaluation Reserve), financial instruments, retirement (e.g. Pensions Reserve) and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xx. INTERESTS IN COMPANIES AND OTHER ENTITIES

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that a full set of Group Accounts is not required for 2015/16. Companies in which the Council has an interest are detailed in Note 36 to the Core Financial Statements.

xxi. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xxii. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in a foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1. Statement of Accounting Policies (cont'd)

xxiii. VAT
VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

xxiv. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial position.

xxv. FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council’s fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

• Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
• Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
• Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

There are a number of minor amendments to International Financial Reporting Standards and anticpated presentational changes including IFRIC21 levies which clarifies the point of recognition for payment of levies. This is not expected to have any impact on this authority.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

Funding
There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Joint-Working Arrangements
The Council has entered into various shared-services arrangements with other local authorities. Current proposals will not reduce the level of service provided by the Council and plans to align systems continue to be developed. The Council believes that it is not necessary to impair any non-current assets in light of shared-service working.

3. Critical Judgements in Applying Accounting Policies (cont'd)

Accounting for Schools - Balance Sheet Recognition of Schools
The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. The Council has recognised Community schools and Voluntary Controlled schools. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are - to varying degree - beyond the control of the Authority. This position was thoroughly reviewed in light of guidance issued in 2014/15.

Accounting for Schools - Transfer of Schools to Academy Status
When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Accounting for Schools - Transfer of Capital Grants
When an unconditional capital grant is passed to a school within the Council's accounting boundary, and remains unspent at the year-end, the Council has taken a view to account for this within Schools' Reserves as opposed to Capital Grants Unapplied.

Capital Charges associated with HRA Non-Dwelling Assets
In 2012/13, as part of transitional funding arrangements in the Housing Revenue Account (HRA), the Department for Local Government and Communities (DCLG) determined that the depreciation of non-dwelling assets should impact on the HRA balance. This determination was later extended to cover revaluation losses. Previously, such costs were neutralised to the Capital Adjustment Account (CAA). The Council, in complying with this determination, has taken a view that, in order to apply it consistently, it should also apply to revaluation gains. Gains incurred on investment properties have been reserved in an earmarked reserve - seeing that no revaluation reserve is available - which will be held to mitigate against future potential losses. The Council has taken a view that the DCLG determination does not extend gains and losses incurred on disposal. The Council has not adjusted the CAA to remove any funding associated with non-dwellings which has been reserved there.

Investment Properties
Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Group Accounts
The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-current Assets / Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2016/17 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the net book value of Council Dwellings (£132.5million) would result in a reduction of the Revaluation Reserve of £27 million and a £105.5 million charge to the CIES. Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.784 billion.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation charges would increase. For example it is estimated that the annual depreciation charge for Council dwellings would increase by £2.05m for every year that useful lives had to be reduced.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council’s assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority’s chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council’s assets and liabilities is disclosed in Note 1.	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs could result in a significantly lower or higher fair value measurement for the investment properties and financial assets. Any significant change would however largely be between asset values and the corresponding adjustment accounts - as such this would be unlikely to significantly affect the Council's revenue position or usable reserves.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions are considered in detail in Note 32.

5. Events after the Reporting Period

The audited Statement of Accounts have been prepared up to 31 March 2016. They were authorised for issue by the Strategic Finance Director on 13 September 2016. There are no material adjusting events after the balance sheet date to report.

As referred to in the Narrative Statement, the result of the referendum on EU Membership, held on 23 June 2016, was in favour of the UK to leave the EU. The financial impacts of 'Brexit' cannot, as yet, be easily ascertained, however given that this condition did not exist at the balance sheet date any such impacts, insofar as they could be ascertained, constitute a non-adjusting event.

6. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Departments.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, expenditure on some support services is budgeted for centrally and not charged to Departments.

(a) The income and expenditure of the Council's Departments recorded in the budget reports for the year is as follows:

Department Income and Expenditure 2015/16	**Children's Services**	**Adult Social Care**	**Housing and Regeneration**	**Finance and Corporate Services**	**Centrally Managed Budgets**	**Transport and Technical Services (Including Controlled Parking Services)**	**Public Health**	**Libraries and Archives**	**Environment, Leisure & Residents' Services**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Customer & Client Receipts	(4,451)	(276)	(12,877)	(2,105)	(1,488)	(44,172)	-	(115)	(7,053)	(80,834)	(153,371)
Government Grants	(111,218)	(228)	(3,224)	(1,267)	(144,868)	(1,552)	(21,414)	-	(891)	(1,096)	(285,758)
Internal Recharge Income	(229)	(1,395)	(128)	(3,786)	(137)	(3,351)	-	(15)	(1,913)	(47)	(11,001)
Other Reimbursements & Contributions	(12,376)	(28,451)	(222)	(3,740)	(14,112)	(4,262)	(63)	(370)	(3,748)	(1,280)	(68,624)
Total Income	**(128,274)**	**(30,350)**	**(16,451)**	**(10,898)**	**(160,605)**	**(53,337)**	**(21,477)**	**(500)**	**(13,605)**	**(83,257)**	**(518,754)**
Capital Charges	10,856	1,718	169	13	-	13,654	-	(864)	1,309	(6,258)	20,597
Employee Expenses	91,512	16,662	6,246	20,667	6,686	18,301	76	1,588	5,822	10,665	178,225
Other	2	1,228	-	-	2,400	-	-	-	1,298	32,295	37,223
Premises Related Expenditure	7,816	451	557	47	2	3,835	6	348	3,725	15,975	32,762
Supplies and Services	19,754	10,169	2,216	8,763	3,597	5,174	11	275	2,678	4,117	56,754
Support Services	7,686	5,423	2,303	(30,450)	6,209	(3,380)	3,076	920	2,720	5,495	2
Third Party Payments	37,579	48,044	13,143	23,092	1,050	11,363	18,312	418	23,603	4,094	180,698
Transfer Payments	4,047	9,630	526	10,064	157,498	-	-	-	9	199	181,973
Transport Related Expenditure	2,070	806	1	10	(6)	115	-	15	911	52	3,974
Use of Balances & Reserves	2,421	-	-	-	-	-	-	-	-	16,623	19,044
Total Expenditure	**183,743**	**94,131**	**25,161**	**32,206**	**177,436**	**49,062**	**21,481**	**2,700**	**42,075**	**83,257**	**711,252**
Net Expenditure	**55,469**	**63,781**	**8,710**	**21,308**	**16,831**	**(4,275)**	**4**	**2,200**	**28,470**	**-**	**192,498**

6. Amounts Reported for Resource Allocation Decisions (cont'd)

Department Income and Expenditure 2014/15	Children's Services £000	Adult Social Care £000	Housing and Regeneration £000	Finance and Corporate Services £000	Centrally Managed Budgets £000	Transport and Technical Services (Including Controlled Parking Services) £000	Public Health £000	Libraries and Archives £000	Environment, Leisure & Residents' Services £000	Housing Revenue Account £000	Total £000
Customer & Client Receipts	(3,955)	(879)	(12,911)	(1,789)	(559)	(46,726)	-	(130)	(7,654)	(77,104)	(151,707)
Government Grants	(109,107)	(362)	(2,964)	(1,053)	(150,668)	(31)	(19,149)	-	-	(5,417)	(288,751)
Internal Recharge Income	(239)	(863)	(113)	(3,409)	-	(3,887)	-	(6)	(2,064)	(87)	(10,668)
Other Reimbursements & Contributions	(14,171)	(25,434)	(554)	(3,744)	(14,404)	(4,150)	-	(604)	(4,158)	(1,382)	(68,601)
Total Income	**(127,472)**	**(27,538)**	**(16,542)**	**(9,995)**	**(165,631)**	**(54,794)**	**(19,149)**	**(740)**	**(13,876)**	**(83,990)**	**(519,727)**
Capital Charges	24,315	1,152	115	620	-	15,136	-	499	1,095	(38,278)	4,654
Employee Expenses	94,105	15,691	6,177	21,421	8,666	17,688	221	1,587	5,788	10,005	181,349
Other	-	1,251	-	78	3,781	6	-	-	1,368	70,844	77,328
Premises Related Expenditure	10,038	668	10,083	106	2	5,349	11	331	3,451	17,097	47,136
Supplies and Services	19,927	10,896	1,583	9,019	3,496	4,842	349	627	2,086	3,516	56,341
Support Services	7,641	5,964	2,552	(31,260)	5,580	(4,579)	1,486	845	4,860	6,318	(593)
Third Party Payments	35,047	45,363	845	21,081	445	12,126	17,082	435	23,503	4,691	160,618
Transfer Payments	4,236	8,967	2,632	9,815	160,107	-	-	-	-	257	186,014
Transport Related Expenditure	2,302	855	10	28	2	175	-	18	1,194	55	4,639
Use of Balances & Reserves	1,767	-	-	-	-	-	-	-	-	9,485	11,252
Total Expenditure	**199,378**	**90,807**	**23,997**	**30,908**	**182,079**	**50,743**	**19,149**	**4,342**	**43,345**	**83,990**	**728,738**
Net Expenditure	**71,906**	**63,269**	**7,455**	**20,913**	**16,448**	**(4,051)**	**-**	**3,602**	**29,469**	**-**	**209,011**

(b) Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Department income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Net expenditure in the Department Analysis	192,498	209,011
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,616	(1,862)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(53,300)	(81,155)
Cost of Services in Comprehensive Income and Expenditure Statement	**140,814**	**125,994**

6. Amounts Reported for Resource Allocation Decisions (cont'd)

(c) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Department income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	**Department Analysis £000**	**Services and Support Services not in Analysis £000**	**Amounts not reported to management for decision making £000**	**Amounts not included in CIES Net Cost of Services £000**	**Allocation of Recharges £000**	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Customer & Client Receipts	(153,371)	-	-	2,828	-	(150,543)	(2,731)	(153,274)
Government Grants	(285,758)	-	1,997	972	-	(282,789)	(79,392)	(362,181)
Internal Recharge Income	(11,001)	-	-	-	-	(11,001)	-	(11,001)
Other Reimbursements & Contributions	(68,624)	-	-	810	-	(67,814)	(3,056)	(70,870)
Interest and Investment Income	-	-	-	-	-	-	(1,943)	(1,943)
Other Operating Income	-	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	(53,434)	(53,434)
Non-domestic rates income and expenditure	-	-	-	-	-	-	(60,131)	(60,131)
Total Income	**(518,754)**	**-**	**1,997**	**4,610**	**-**	**(512,147)**	**(200,687)**	**(712,834)**
Capital Charges	20,597	-	-	(106)	-	20,491	106	20,597
Employee Expenses	178,225	-	-	(142)	-	178,083	142	178,225
Other	37,223	-	-	(37,223)	-	-	-	-
Premises Related Expenditure	32,762	-	-	(371)	-	32,391	371	32,762
Supplies and Services	56,754	-	-	(280)	-	56,474	280	56,754
Support Services	2	-	-	(160)	-	(158)	159	1
Third Party Payments	180,698	-	(381)	(579)	-	179,738	579	180,317
Transfer Payments	181,973	-	-	-	-	181,973	-	181,973
Transport Related Expenditure	3,974	-	-	(5)	-	3,969	5	3,974
Use of Balances & Reserves	19,044	-	-	(19,044)	-	-	431	431
Interest Payments	-	-	-	-	-	-	13,958	13,958
Precepts and Levies	-	-	-	-	-	-	2,854	2,854
Net interest on the net defined benefit liability (asset)	-	-	-	-	-	-	16,856	16,856
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	201	201
Gains/losses on the disposal of non-current assets	-	-	-	-	-	-	1,768	1,768
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(2,226)	(2,226)
Total Expenditure	**711,252**	**-**	**(381)**	**(57,910)**	**-**	**652,961**	**35,484**	**688,445**
Surplus or deficit on the provision of services	**192,498**	**-**	**1,616**	**(53,300)**	**-**	**140,814**	**(165,203)**	**(24,389)**

6. Amounts Reported for Resource Allocation Decisions (cont'd)

2014/15	Department Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Customer & Client Receipts	(151,707)	-	-	2,885	-	(148,822)	(2,885)	(151,707)
Government Grants	(288,751)	-	-	5,417	-	(283,334)	(107,280)	(390,614)
Internal Recharge Income	(10,668)	-	-	6	-	(10,662)	(6)	(10,668)
Other Reimbursements & Contributions	(68,601)	-	-	814	-	(67,787)	(984)	(68,771)
Interest and Investment Income	-	-	-	-	-	-	(1,794)	(1,794)
Other Operating Income	-	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	(52,512)	(52,512)
Non-domestic rates income and expenditure	-	-	-	-	-	-	(50,286)	(50,286)
Total Income	**(519,727)**	**-**	**-**	**9,122**	**-**	**(510,605)**	**(215,747)**	**(726,352)**
Capital Charges	4,654	-	-	(92)	-	4,562	92	4,654
Employee Expenses	181,349	-	(1,862)	(118)	-	179,369	118	179,487
Other	77,328	-	-	(77,325)	-	3	-	3
Premises Related Expenditure	47,136	-	-	(4)	-	47,132	4	47,136
Supplies and Services	56,341	-	-	(421)	-	55,920	421	56,341
Support Services	(593)	-	-	(205)	-	(798)	205	(593)
Third Party Payments	160,618	-	-	(849)	-	159,769	849	160,618
Transfer Payments	186,014	-	-	-	-	186,014	-	186,014
Transport Related Expenditure	4,639	-	-	(11)	-	4,628	12	4,640
Use of Balances & Reserves	11,252	-	-	(11,252)	-	-	1,143	1,143
Interest Payments	-	-	-	-	-	-	14,916	14,916
Precepts and Levies	-	-	-	-	-	-	2,888	2,888
Net interest on the net defined benefit liability (asset)	-	-	-	-	-	-	18,370	18,370
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	4,902	4,902
Gains/losses on the disposal of non-current assets	-	-	-	-	-	-	(35,524)	(35,524)
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(4,397)	(4,397)
Total Expenditure	**728,738**	**-**	**(1,862)**	**(90,277)**	**-**	**636,599**	**3,999**	**640,598**
Surplus or deficit on the provision of services	**209,011**	**-**	**(1,862)**	**(81,155)**	**-**	**125,994**	**(211,748)**	**(85,754)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Movement on Usable Reserves 2014/15

	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
Balance at 1 April 2014	**(19,004)**	**(16,746)**	**(92,589)**	**(42,694)**	**(7,494)**	**(6,668)**	**(71,049)**	**(878)**	**(257,122)**
Surplus or (deficit) on the provision of services	3,520	-	-	-	(89,274)	-	-	-	**(85,754)**
Total Comprehensive Income and Expenditure	**3,520**	**-**	**-**	**-**	**(89,274)**	**-**	**-**	**-**	**(85,754)**
Adjustments between accounting basis & funding basis under regulations									
Depreciation of Property, Plant and Equipment	(20,753)	-	-	-	(303)	-	-	-	**(21,056)**
Amortisation of Intangible Assets	(154)	-	-	-	(34)	-	-	-	**(188)**
Dwelling Depreciation	-	-	-	-	17,923	(17,923)	-	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(19,259)	1,336	-	-	**(17,923)**
Impairment/Revaluation losses (charged to the CIES)	(8,670)	-	-	-	56,622	-	-	-	**47,952**
Revenue expenditure funded from capital under statute (REFCUS)	(13,355)	-	-	-	(82)	-	-	-	**(13,437)**
Movements in the market value of investment properties	4,108	-	-	-	-	-	-	-	**4,108**
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	**-**
Capital grants and contributions applied	11,626	-	-	1,460	5,417	-	-	-	**18,503**
Capital grants and contributions applied (REFCUS)	4,185	-	-	7,447	-	-	-	-	**11,632**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	41,538	-	**41,538**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**
Capital expenditure charged against the General Fund and HRA balances	533	2,395	-	-	113	-	-	-	**3,041**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	23,255	-	-	**23,255**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	10,322	-	-	(10,322)	-	-	-	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(25,720)	-	-	-	(12,150)	-	-	-	**(37,870)**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	40,467	-	-	-	34,403	-	(74,870)	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(144)	-	-	-	(237)	-	381	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(23)	-	**(23)**
Deferred costs in respect of disposals transferred to the CAA	(345)	-	-	-	(750)	-	-	-	**(1,095)**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	-	-	-	-	-	486	-	**486**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(4,902)	-	-	-	-	-	4,902	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	1,126	-	-	-	-	-	-	-	**1,126**
Voluntary repayment of debt (above Minimum Revenue Provision)	63	-	-	-	-	-	-	-	**63**
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	**-**
Statutory provision for finance lease liabilities (including PFI)	1,105	-	-	-	-	-	-	-	**1,105**
Voluntary application of capital receipts	-	-	-	-	-	-	28,500	-	**28,500**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	(32,109)	-	-	-	(3,592)	-	-	-	**(35,701)**
Employer's pensions contributions and direct payments to pensioners	16,272	-	-	-	1,839	-	-	-	**18,111**
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	-	-	-	-	**-**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	54	-	-	-	(86)	-	-	-	**(32)**
Amount by which council tax and NDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	4,198	-	-	-	-	-	-	-	**4,198**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	40	-	-	-	(34)	-	-	-	**6**
Total Adjustments between accounting basis & funding basis under regulations	**(12,053)**	**2,395**	**-**	**(1,415)**	**79,790**	**6,668**	**914**	**-**	**76,299**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(8,533)**	**2,395**	**-**	**(1,415)**	**(9,484)**	**6,668**	**914**	**-**	**(9,455)**
Transfers (to)/from Earmarked Reserves (Note 8)	8,533	(624)	(11,721)	-	3,812	-	-	-	**0**
(Increase)/Decrease in year	**(0)**	**1,771**	**(11,721)**	**(1,415)**	**(5,672)**	**6,668**	**914**	**-**	**(9,455)**
Balance at 31 March 2015 carried forward	**(19,004)**	**(14,975)**	**(104,310)**	**(44,109)**	**(13,166)**	**-**	**(70,135)**	**(878)**	**(266,577)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)
Movement on Usable Reserves 2015/16

	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
Balance at 1 April 2015	**(19,004)**	**(14,975)**	**(104,310)**	**(44,109)**	**(13,166)**	**-**	**(70,135)**	**(878)**	**(266,577)**
Surplus or (deficit) on the provision of services	26,912	-	-	-	(51,301)	-	-	-	**(24,389)**
Total Comprehensive Income and Expenditure	**26,912**	**-**	**-**	**-**	**(51,301)**	**-**	**-**	**-**	**(24,389)**
Adjustments between accounting basis & funding basis under regulations									
Depreciation of Property, Plant and Equipment	(20,782)	-	-	-	(260)	-	-	-	**(21,042)**
Amortisation of Intangible Assets	(143)	-	-	-	(34)	-	-	-	**(177)**
Dwelling Depreciation	-	-	-	-	19,917	(19,917)	-	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(22,743)	2,826	-	-	**(19,917)**
Impairment/Revaluation losses (charged to the CIES)	12,344	-	-	-	26,633	-	-	-	**38,977**
Revenue expenditure funded from capital under statute (REFCUS)	(18,275)	-	-	-	(163)	-	-	-	**(18,438)**
Movements in the market value of investment properties	1,446	-	-	-	-	-	-	-	**1,446**
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	**-**
Capital grants and contributions applied	3,823	-	-	1,302	972	-	-	-	**6,097**
Capital grants and contributions applied (REFCUS)	5,926	-	-	10,720	-	-	-	-	**16,646**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	49,013	-	**49,013**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**
Capital expenditure charged against the General Fund and HRA balances	1,059	2,862	-	-	2,300	-	-	-	**6,221**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	16,685	-	-	**16,685**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	11,545	-	-	(11,545)	-	-	-	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(22,385)	-	-	-	(7,724)	-	-	-	**(30,109)**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	7,405	-	-	-	21,909	-	(29,314)	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(47)	-	-	-	(180)	-	227	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(11)	-	**(11)**
Deferred costs in respect of disposals transferred to the CAA	(45)	-	-	-	(626)	-	-	-	**(671)**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	-	-	-	-	-	166	-	**166**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(201)	-	-	-	-	-	201	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	38	-	-	-	-	-	-	-	**38**
Voluntary repayment of debt (above Minimum Revenue Provision)	63	-	-	-	-	-	-	-	**63**
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	**-**
Statutory provision for finance lease liabilities (including PFI)	502	-	-	-	-	-	-	-	**502**
Voluntary application of capital receipts	-	-	-	-	-	-	902	-	**902**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	(33,191)	-	-	-	(3,775)	-	-	-	**(36,966)**
Employer's pensions contributions and direct payments to pensioners	16,130	-	-	-	1,802	-	-	-	**17,932**
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	-	-	-	-	**-**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	29	-	-	-	(86)	-	-	-	**(57)**
Amount by which council tax and NDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	5,822	-	-	-	-	-	-	-	**5,822**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	68	-	-	-	-	-	-	-	**68**
Total Adjustments between accounting basis & funding basis under regulations	**(28,869)**	**2,862**	**-**	**477**	**37,942**	**(406)**	**21,184**	**-**	**33,190**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,957)**	**2,862**	**-**	**477**	**(13,359)**	**(406)**	**21,184**	**-**	**8,801**
Transfers (to)/from Earmarked Reserves (Note 8)	1,957	(1,420)	(8,542)	-	8,005	-	-	-	**0**
(Increase)/Decrease in year	**0**	**1,442**	**(8,542)**	**477**	**(5,354)**	**(406)**	**21,184**	**-**	**8,801**
Balance at 31 March 2016 carried forward	**(19,004)**	**(13,533)**	**(112,852)**	**(43,632)**	**(18,520)**	**(406)**	**(48,951)**	**(878)**	**(257,776)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

Movement on Unusable Reserves 2014/15

	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Available for Sale Financial Instruments Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2014	**(102,060)**	**(1,255,035)**	**(90)**	**426,638**	**1,053**	**(40)**	**3,419**	**3,692**	**(922,423)**	**(257,122)**	**(1,179,545)**
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	-	(85,754)	**(85,754)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(38,087)	-	-	-	-	-	-	-	(38,087)	-	**(38,087)**
Actuarial gains/losses on pension assets / liabilities	-	-	-	78,120	-	-	-	-	78,120	-	**78,120**
Gains/losses on Available for Sale Financial Assets	-	-	-	-	-	525	-	-	525	-	**525**
Total Comprehensive Income and Expenditure	**(38,087)**	**-**	**-**	**78,120**	**-**	**525**	**-**	**-**	**40,558**	**(85,754)**	**(45,196)**
Adjustments between accounting basis & funding basis under regulations											
Depreciation of Property, Plant and Equipment	-	21,056	-	-	-	-	-	-	**21,056**	(21,056)	**-**
Amortisation of Intangible Assets	-	188	-	-	-	-	-	-	**188**	(188)	**-**
Dwelling Depreciation	-	-	-	-	-	-	-	-	**-**	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	17,923	-	-	-	-	-	-	**17,923**	(17,923)	**-**
Impairment/Revaluation losses (charged to the CIES)	-	(47,952)	-	-	-	-	-	-	**(47,952)**	47,952	**-**
Revenue expenditure funded from capital under statute (REFCUS)	-	13,437	-	-	-	-	-	-	**13,437**	(13,437)	**-**
Movements in the market value of investment properties	-	(4,108)	-	-	-	-	-	-	**(4,108)**	4,108	**-**
Difference between fair value depreciation and historical cost depreciation	1,932	(1,932)	-	-	-	-	-	-	**-**	-	**-**
Capital grants and contributions applied	-	(18,503)	-	-	-	-	-	-	**(18,503)**	18,503	**-**
Capital grants and contributions applied (REFCUS)	-	(11,632)	-	-	-	-	-	-	**(11,632)**	11,632	**-**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(41,538)	-	-	-	-	-	-	**(41,538)**	41,538	**-**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**	-	**-**
Capital expenditure charged against the General Fund and HRA balances	-	(3,041)	-	-	-	-	-	-	**(3,041)**	3,041	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	(23,255)	-	-	-	-	-	-	**(23,255)**	23,255	**-**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	**-**	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	37,870	-	-	-	-	-	-	**37,870**	(37,870)	**-**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	**-**	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	**-**	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of	541	(541)	-	-	-	-	-	-	**-**	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	23	-	-	-	-	-	**23**	(23)	**-**
Deferred costs in respect of disposals transferred to the CAA	-	1,095	-	-	-	-	-	-	**1,095**	(1,095)	**-**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	(486)	-	-	-	-	-	-	**(486)**	486	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	**-**	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(1,126)	-	-	-	-	-	-	**(1,126)**	1,126	**-**
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(63)	-	-	-	-	-	-	**(63)**	63	**-**
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	**-**	-	**-**
Statutory provision for finance lease liabilities (including PFI)	-	(1,105)	-	-	-	-	-	-	**(1,105)**	1,105	**-**
Voluntary application of capital receipts	-	(28,500)	-	-	-	-	-	-	**(28,500)**	28,500	**-**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	-	-	-	35,701	-	-	-	-	**35,701**	(35,701)	**-**
Employer's pensions contributions and direct payments to pensioners	-	-	-	(18,111)	-	-	-	-	**(18,111)**	18,111	**-**
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	-	-	-	-	**-**	-	**-**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	32	-	-	-	**32**	(32)	**-**
Amount by which council tax and NDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	-	-	-	-	-	-	(4,198)	-	**(4,198)**	4,198	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	(6)	**(6)**	6	**-**
Total Adjustments between accounting basis & funding basis under regulations	**2,473**	**(92,213)**	**23**	**17,590**	**32**	**-**	**(4,198)**	**(6)**	**(76,299)**	**76,299**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(35,614)**	**(92,213)**	**23**	**95,710**	**32**	**525**	**(4,198)**	**(6)**	**(35,741)**	**(9,455)**	**(45,196)**
Transfers (to)/from Earmarked Reserves (Note 8)	-	-	-	-	-	-	-	-	-	-	**-**
(Increase)/Decrease in year	**(35,614)**	**(92,213)**	**23**	**95,710**	**32**	**525**	**(4,198)**	**(6)**	**(35,741)**	**(9,455)**	**(45,196)**
Balance at 31 March 2015 carried forward	**(137,674)**	**(1,347,248)**	**(67)**	**522,348**	**1,085**	**485**	**(779)**	**3,686**	**(958,164)**	**(266,577)**	**(1,224,741)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

Movement on Unusable Reserves 2015/16

	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Available for Sale Financial Instruments Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2015	**(137,674)**	**(1,347,248)**	**(67)**	**522,348**	**1,085**	**485**	**(779)**	**3,686**	**(958,164)**	**(266,577)**	**(1,224,741)**
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	-	(24,389)	**(24,389)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(96,176)	-	-	-	-	-	-	-	(96,176)	-	**(96,176)**
Actuarial gains/losses on pension assets / liabilities	-	-	-	(50,452)	-	-	-	-	(50,452)	-	**(50,452)**
Gains/losses on Available for Sale Financial Assets	-	-	-	-	-	585	-	-	585	-	**585**
Total Comprehensive Income and Expenditure	**(96,176)**	**-**	**-**	**(50,452)**	**-**	**585**	**-**	**-**	**(146,043)**	**(24,389)**	**(170,432)**
Adjustments between accounting basis & funding basis under regulations											
Depreciation of Property, Plant and Equipment	-	21,042	-	-	-	-	-	-	**21,042**	(21,042)	**-**
Amortisation of Intangible Assets	-	177	-	-	-	-	-	-	**177**	(177)	**-**
Dwelling Depreciation	-	-	-	-	-	-	-	-	**-**	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	19,917	-	-	-	-	-	-	**19,917**	(19,917)	**-**
Impairment/Revaluation losses (charged to the CIES)	-	(38,977)	-	-	-	-	-	-	**(38,977)**	38,977	**-**
Revenue expenditure funded from capital under statute (REFCUS)	-	18,438	-	-	-	-	-	-	**18,438**	(18,438)	**-**
Movements in the market value of investment properties	-	(1,446)	-	-	-	-	-	-	**(1,446)**	1,446	**-**
Difference between fair value depreciation and historical cost depreciation	3,316	(3,316)	-	-	-	-	-	-	**-**	-	**-**
Capital grants and contributions applied	-	(6,097)	-	-	-	-	-	-	**(6,097)**	6,097	**-**
Capital grants and contributions applied (REFCUS)	-	(16,646)	-	-	-	-	-	-	**(16,646)**	16,646	**-**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(49,013)	-	-	-	-	-	-	**(49,013)**	49,013	**-**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**	-	**-**
Capital expenditure charged against the General Fund and HRA balances	-	(6,221)	-	-	-	-	-	-	**(6,221)**	6,221	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	(16,685)	-	-	-	-	-	-	**(16,685)**	16,685	**-**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	**-**	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	30,109	-	-	-	-	-	-	**30,109**	(30,109)	**-**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	**-**	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	**-**	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of	4,298	(4,298)	-	-	-	-	-	-	**-**	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	11	-	-	-	-	-	**11**	(11)	**-**
Deferred costs in respect of disposals transferred to the CAA	-	671	-	-	-	-	-	-	**671**	(671)	**-**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	(166)	-	-	-	-	-	-	**(166)**	166	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	**-**	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(38)	-	-	-	-	-	-	**(38)**	38	**-**
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(63)	-	-	-	-	-	-	**(63)**	63	**-**
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	**-**	-	**-**
Statutory provision for finance lease liabilities (including PFI)	-	(502)	-	-	-	-	-	-	**(502)**	502	**-**
Voluntary application of capital receipts	-	(902)	-	-	-	-	-	-	**(902)**	902	**-**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	-	-	-	36,966	-	-	-	-	**36,966**	(36,966)	**-**
Employer's pensions contributions and direct payments to pensioners	-	-	-	(17,932)	-	-	-	-	**(17,932)**	17,932	**-**
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	-	-	-	-	**-**	-	**-**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	57	-	-	-	**57**	(57)	**-**
Amount by which council tax and NDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	-	-	-	-	-	-	(5,822)	-	**(5,822)**	5,822	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	(68)	**(68)**	68	**-**
Total Adjustments between accounting basis & funding basis under regulations	**7,614**	**(54,016)**	**11**	**19,034**	**57**	**-**	**(5,822)**	**(68)**	**(33,190)**	**33,190**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(88,562)**	**(54,016)**	**11**	**(31,418)**	**57**	**585**	**(5,822)**	**(68)**	**(179,233)**	**8,801**	**(170,432)**
Transfers (to)/from Earmarked Reserves (Note 8)	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	**(88,562)**	**(54,016)**	**11**	**(31,418)**	**57**	**585**	**(5,822)**	**(68)**	**(179,233)**	**8,801**	**(170,432)**
Balance at 31 March 2016 carried forward	**(226,236)**	**(1,401,264)**	**(56)**	**490,930**	**1,142**	**1,070**	**(6,601)**	**3,618**	**(1,137,397)**	**(257,776)**	**(1,395,173)**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

		Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Movement Between Reserves 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Movement Between Reserves 2015/16 £000	Balance at 31 March 2016 £000
	General Fund									
1	Insurance Fund	(4,820)	-	(1,022)	-	**(5,842)**	122	-	-	**(5,720)**
2	Controlled Parking Fund	(695)	599	(707)	90	**(713)**	454	(894)	-	**(1,153)**
3	Computer Replacement Fund	(2,165)	-	(248)	1,000	**(1,413)**	176	-	-	**(1,237)**
4	IT Infrastructure	(2,813)	410	(2,000)	(1,000)	**(5,403)**	1,847	(800)	(172)	**(4,528)**
5	Efficiency Projects Reserve	(10,396)	1,599	(2,308)	(2,176)	**(13,281)**	1,158	(4,681)	2,252	**(14,552)**
6	Corporate Demand Pressures	(3,516)	-	(5,600)	-	**(9,116)**	1,445	(2,392)	930	**(9,133)**
7	Debtors/Creditors Review	(619)	-	-	-	**(619)**	-	-	-	**(619)**
8	Dilapidations/Office Moves	(3,726)	-	(585)	-	**(4,311)**	63	-	-	**(4,248)**
9	Housing Benefit	(2,415)	167	-	-	**(2,248)**	-	-	-	**(2,248)**
10	Planning Inquiries	(358)	-	(130)	-	**(488)**	197	-	-	**(291)**
11	LPFA Sub Fund	(1,000)	-	-	-	**(1,000)**	-	-	-	**(1,000)**
12	Bishops Park	(358)	41	-	-	**(317)**	-	-	-	**(317)**
13	Imperial Wharf	(800)	-	-	-	**(800)**	-	-	800	**-**
14	King Street Regeneration	(668)	72	-	-	**(596)**	33	-	-	**(563)**
15	Temporary Accommodation	(3,506)	-	-	-	**(3,506)**	-	-	-	**(3,506)**
16	ASC Pressures & Demands	(3,097)	740	(2,044)	-	**(4,401)**	1,407	-	-	**(2,994)**
17	Community Safety Reserve	(382)	25	(3)	-	**(360)**	-	-	-	**(360)**
18	Local Lead Flood Authority	(603)	-	(70)	-	**(673)**	125	-	-	**(548)**
19	Contribution to Local Election	(325)	266	(75)	-	**(134)**	-	(76)	-	**(210)**
20	Human Resources Reserve	(1,000)	-	-	-	**(1,000)**	80	-	-	**(920)**
21	Capital Reserves	(1,534)	55	-	-	**(1,479)**	559	-	(800)	**(1,720)**
22	Supporting People	(1,989)	-	-	-	**(1,989)**	180	-	-	**(1,809)**
23	CHS Pressures and Demands	(755)	25	-	-	**(730)**	311	-	-	**(419)**
24	CHS Shared Service	(363)	257	-	-	**(106)**	106	-	-	**-**
25	MTFS Delivery Risk	(7,000)	852	-	-	**(6,148)**	-	-	-	**(6,148)**
26	Legal Fees Reserve	(340)	30	-	290	**(20)**	20	-	-	**-**
27	Managed Services	(4,750)	3,284	(1,000)	1,590	**(876)**	2,252	(550)	(3,110)	**(2,284)**
28	VAT Reserve	(2,500)	-	-	-	**(2,500)**	-	-	-	**(2,500)**
29	Business Board Reserve	(1,358)	-	(252)	787	**(823)**	-	(257)	-	**(1,080)**
30	ELRS Fulham Palace Reserve	(459)	31	(140)	-	**(568)**	-	-	-	**(568)**
31	TFM Reserve	(929)	167	-	(351)	**(1,113)**	273	-	(50)	**(890)**
32	3SIF Grant Reserve	-	-	(542)	-	**(542)**	-	(399)	-	**(941)**
33	ASC Portfolio Management	(457)	122	-	-	**(335)**	-	-	-	**(335)**
34	Troubled Families	(709)	298	-	-	**(411)**	235	(403)	-	**(579)**
35	Focus on Practice	(350)	-	-	-	**(350)**	-	(695)	-	**(1,045)**
36	PSL Incentive Payments	(400)	190	(129)	-	**(339)**	25	-	-	**(314)**
37	NDR Deficit Support	(6,021)	5,264	(2,485)	-	**(3,242)**	34	-	-	**(3,208)**
38	HFD Budget Reserve	-	-	-	(600)	**(600)**	361	-	-	**(239)**
39	Customer Services Reserve	-	-	(450)	-	**(450)**	-	-	-	**(450)**
40	Stock Options Appraisal	-	-	(1,200)	-	**(1,200)**	734	-	-	**(466)**
41	Redundancy Reserves	(3,028)	-	(719)	-	**(3,747)**	-	-	-	**(3,747)**
42	Other Funds	(3,221)	968	(1,780)	361	**(3,672)**	1,175	(566)	150	**(2,913)**
	General Fund Sub-Total	**(79,425)**	**15,462**	**(23,489)**	**(9)**	**(87,461)**	**13,372**	**(11,713)**	**-**	**(85,802)**
	(Cont'd Overleaf)									

8. Transfers to/from Earmarked Reserves (cont'd)

		Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Movement Between Reserves 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Movement Between Reserves 2015/16 £000	Balance at 31 March 2016 £000
	HRA									
43	HRA IT Recharges Reserve	(205)	-	(142)	-	**(347)**	-	(379)	-	**(726)**
44	HRA Efficiency Reserve	(1,020)	-	(391)	-	**(1,411)**	-	-	-	**(1,411)**
45	HRA Non-dwellings Impairment Reserve	(6,346)	357	(646)	-	**(6,635)**	-	(780)	-	**(7,415)**
46	HRA Strategic Regeneration and Housing Development	(1,746)	-	-	-	**(1,746)**	-	(1,004)	(500)	**(3,250)**
47	HRA Utilities Reserve	(761)	-	(500)	-	**(1,261)**	-	(4,250)	-	**(5,511)**
48	HRA Commercial Property leases	(200)	106	-	-	**(94)**	-	-	-	**(94)**
49	HRA Legal Costs	(200)	-	-	-	**(200)**	200	-	-	**-**
50	Improved Voids Specification	(500)	-	-	-	(500)	-	-	500	**-**
51	Sheltered Housing	-	-	(871)	-	(871)	230	-	-	**(641)**
52	Deed Pack Review Reserve	-	-	(300)	-	(300)	-	-	-	**(300)**
53	Stock Options Appraisal	-	-	(300)	-	(300)	-	(108)	-	**(408)**
54	Welfare Reform Reserve	-	-	(500)	-	(500)	-	(1,000)	-	**(1,500)**
55	Parking Charges Review	-	-	(606)	-	(606)	-	-	-	**(606)**
56	Community Pot	-	-	(19)	-	(19)	-	(19)	-	**(38)**
57	Customer Service Improvement Programme	-	-	-	-	-	-	(200)	-	**(200)**
58	Council Tax Voids	-	-	-	-	-	-	(95)	-	**(95)**
59	Office Reorganisations	-	-	-	-	-	-	(50)	-	**(50)**
60	Managed Services	-	-	-	-	-	-	(300)	-	**(300)**
61	Commercial Properties Debt	-	-	-	-	-	-	(250)	-	**(250)**
	HRA Sub-Total	**(10,978)**	**463**	**(4,275)**	**-**	**(14,790)**	**430**	**(8,435)**	**-**	**(22,795)**
	Revenue Grants									
62	TFL Street Management	(129)	-	-	-	**(129)**	-	-	-	**(129)**
63	S106 - Revenue Schemes	(1,340)	112	(170)	-	**(1,398)**	10	(2,246)	-	**(3,634)**
64	ALSS SFA 2011/12 Allocation	(187)	102	-	-	**(85)**	-	-	-	**(85)**
65	CHS Adoption Reform	(226)	86	-	-	**(140)**	-	-	-	**(140)**
66	Other Revenue Grants	(304)	129	(141)	9	**(307)**	40	-	-	**(267)**
	Revenue Grants Sub-Total	**(2,186)**	**429**	**(311)**	**9**	**(2,059)**	**50**	**(2,246)**	**-**	**(4,255)**
	Total	**(92,589)**	**16,354**	**(28,075)**	**-**	**(104,310)**	**13,852**	**(22,394)**	**-**	**(112,852)**

8. Earmarked Reserves Description

The main purpose of each earmarked reserve is explained below:

1.	Insurance Fund	-	this was established to underwrite a proportion of the Council's insurable risks.
2.	Controlled Parking Fund	-	the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meet expenditure on transport and highways related activities.
3.	Computer Replacement Fund	-	this is for the enhancement to the Council's IT systems required to meet existing commitments and future demands.
4.	IT Infrastructure	-	this reserve has been set up for future IT improvement programmes.
5.	Efficiency Projects Reserve	-	this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
6.	Corporate Demand Pressures	-	To meet unbudgeted demands and pressures.
7.	Debtors/Creditors Review	-	this reserve is set aside to meet the cost of a review of all balance sheet debtors and creditors held by the Council and to meet any costs of adjusting those balances.
8.	Dilapidations/Office Moves	-	this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.
9.	Housing Benefit	-	the completion of the audit of the housing benefit subsidy claim often results in a reduction in subsidy paid for the previous financial year. This reserve is used to meet the cost of any adjustments.
10.	Planning Inquiries	-	this reserve has been established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.
11.	LPFA Sub Fund	-	this reserve has been set aside to cover a potential pensions liability to the LPFA.
12.	Bishops Park	-	this reserve has been set aside as part of the Bishops Park lottery funded development scheme.
13.	Imperial Wharf	-	this reserve has been set up to under write the construction of Imperial Wharf Overground station.
14.	King Street Regeneration	-	this reserve is to meet the preliminary costs that are emerging in connection with the King Street Regeneration.
15.	Temporary Accommodation	-	this reserve has been set up to deal with possible shortfalls arising out of the introduction of a cap on rental income received for temporary accommodation.
16.	ASC Pressures & Demands	-	this reserve is to address non-recurring new financial pressures within Adult Social Care.
17.	Community Safety Reserve	-	this is for funding the Integrated Offender Management Support Programme.
18.	Local Lead Flood Authority	-	DEFRA grant monies given under the Flood & Water Management Act 2010.
19.	Contribution to Local Election	-	Funds set aside to fund the next local election in 2018.
20.	Human Resources Reserve	-	this is a reserve to fund any requirements in relation to Human Resources.
21.	Capital Reserves	-	this is a revenue-backed reserve to support capital expenditure and to provide bridging finance pending receipts of grants, etc.
22.	Supporting People Programme	-	this reserve has been set up to enable the Supporting People programme to be managed over a rolling 3 year cycle in line with the contracts let with service suppliers.
23.	CHS Pressures and Demands	-	this reserve is to address non-recurring new financial pressures within Children's Services.
24.	CHS Shared Service	-	this reserve is to address one off costs arising from shared service integration projects.
25.	MTFS Delivery Risk	-	This reserve is to mitigate the risks associated with the implementation of new MTFS projects.

8. Transfers to/from Earmarked Reserves (cont'd)

26.	Legal Fees Reserve	-	this reserve has been created to cover future one off legal costs relating to planning and environmental health.
27.	Managed Services	-	this reserve has been set up to fund one off costs relating to the implementation of managed services.
28.	VAT Reserve	-	this reserve is to cover costs incurred as a result of VAT related changes.
29.	Business Board Reserve	-	this reserve is to fund projects approved by the HF Business Board.
30.	ELRS Fulham Palace Reserve	-	this reserve is held to fund anticipated financial commitments in relation to Fulham Palace. This will fund 3 years of premises costs relating to the Head Lease (lease and insurance costs) as well as set aside funds for the continued investment in the Bishops Park and Fulham Palace open spaces as part of the funding agreement with the Heritage Lottery Fund (HLF).
31.	TFM Reserve	-	The reserve represents additional costs on the contract due to a refresh of the service matrix- detailing buildings and service provision- and the potential need to fund additional expenditure as a result of changes in the apportionment of actual costs incurred across the three boroughs. The reserve also represents elective variable works, removals costs and ad hoc security costs that are not included in the fixed contract price.
32.	3SIF Grant Reserve	-	this reserve is to support the Third Sector Investment Fund medium term allocation plan.
33	ASC Portfolio Management	-	The reserve is to fund additional resources required to delivery the Shared Service Adult Social Care Transformation and Efficiency Savings Portfolio work Programme which is anticipated to deliver savings over the Medium term.
34	Troubled Families	-	This reserve has been created to carry forward funding that has already been earnt, but not spent, into Year 3 of the project in order to fund the costs associated with running the programme.
35	Focus on Practice	-	this reserve was for the blueprint development of more purposeful practice and effective interventions with families over a two to three year period. It is hoped to create a service which will establish effective practice, delivers sustained change and better outcomes through a move to intensive evidence based casework with smaller caseloads for front line staff.
36	PSL Incentive Payments	-	this reserve is to mitigate against higher Direct Lettings costs.
37	NDR Deficit Support	-	this is a reserve to smooth the impact of statutory timing differences between funding and impact NDR deficits.
38	HFD Budget Reserve	-	this reserve is to support H&F Direct in future budget pressures.
39	Customer Services Reserve	-	this reserve is to fund improvements in customer service.
40	Stock Options Appraisal	-	this is a reserve to address the potential outcomes of the Stock Options Appraisal .
41	Redundancy Reserves	-	these reserves were set up to cover any redundancy costs.
42	Other Funds	-	this reserve is to fund various smaller projects.
43	HRA IT Recharges Reserve	-	this reserve is to fund any budgetary pressures with IT charges.
44	HRA Efficiency Reserve	-	this reserve is to provide funding for the one off costs associated with implementing MTFS savings.
45	HRA Non-dwellings Impairment Reserve	-	this reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
46	HRA Strategic Regeneration and Housing Development	-	this reserve is to provide for the risk associated the council's strategy and regeneration and housing development initiatives.
47	HRA Utilities Reserve	-	this reserve is to cover the potential impact of applying OFWAT "Water resale order" under which water charges to tenants must be set to equal expenditure incurred by LBHF on a property by property basis.
48	HRA Commercial Property	-	this reserve is to fund the S106 costs for the termination of commercial property leases.
49	HRA Legal Costs	-	this reserve is for the likely legal costs arising from a procurement judgement.
50	Improved Voids Specification	-	this reserve is to fund a pilot to improve a limited number of void properties.
51	Sheltered Housing	-	this reserve is to fund the costs of additional resourcing for the sheltered housing accommodation service.
52	Deed Pack Review Reserve	-	this reserve is to fund a review of the HRA Fixed Asset Register in 2015/16 which will potentially involve a review of deed packs for over 18,000 properties.
53	HRA Stock Options Appraisal Reserve	-	this reserve is the HRA contribution to address the potential outcomes of the Stock Options Appraisal.
54	Welfare Reform Reserve	-	this is a reserve to provide for the further and continuing impact of Welfare Reform.
55	Parking Charges Review Reserve	-	this reserve is to cover the potential need to refund parking charges on HRA properties.
56	Community Pot	-	this reserve is the contribution made by the contractor providing housing and caretaking services to a Community Pot to be spent on projects agreed between the Council and the contractor.
57	Customer Service Improvement Programme	-	this reserve has been created to support the delivery of the Customer Service Improvement Programme.
58	Council Tax Voids	-	this reserve is to cover disputed costs of voids in case the HRA has to pay the costs.
59	Office Reorganisations	-	this reserve is to fund ongoing unbudgeted office reorganisation costs.
60	Managed Services	-	this reserve is to fund the impact of delayed implementation of Managed Services, which is affecting the Council's ability to collect rental income from tenants. The resultant increase in rent arrears may not be collectible or may require additional resource for collection. This reserve to is provide for loss of income and required resources.
61	Commercial Properties Debt	-	this reserve is to provide for the potential bad debt charge resulting from debt on commercial properties.
62-66	Revenue Grants	-	these are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).

9. Material Items of Income and Expense

Transactions in 2015/16
Council Dwellings have again been revalued in-year showing a significant gain of £74.07m (see note 13 for more detail). This gain is divided between the Comprehensive Income and Expenditure Statement (CIES) (£26.63m) and the Revaluation Reserve (£47.44m).

Transactions in 2014/15
Council Dwellings have been revalued in-year and have shown a significant revaluation gain. The net gain posted to the CIES is £56.62m.

The revaluation gain on Dwellings in both 2014/15 and 2015/16 in part - reverses the significant loss posted to CIES (expenditure) in 2010/11 when the Council revised its social housing valuation adjustment factor. As such the credit for these adjustments have been recorded against expenditure.

10. Other Operating Expenditure

	2015/16 £000	2014/15 £000
Levies	2,855	2,888
Payments to the Government Housing Capital Receipts Pool	201	4,902
Gains/losses on the disposal of non-current assets	1,865	(35,524)
Trading Operations [See Below]	(1,179)	(2,025)
Other Operating Income and Expenditure	(817)	21
	2,925	**(29,738)**

The following Trading Operations operated during the year. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. The table illustrates the surplus or deficit for each service.

	2015/16			2014/15		
	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000
Highways Division	(782)	759	(23)	(811)	790	(21)
Industrial Estates and Misc Properties	(1,848)	161	(1,687)	(2,514)	107	(2,407)
Other	(141)	672	531	(316)	719	403
Net surplus on trading operations	**(2,771)**	**1,592**	**(1,179)**	**(3,641)**	**1,616**	**(2,025)**

11. Financing and Investment Income and Expenditure

	2015/16 £000	2014/15 £000
Interest payable and similar charges	13,958	14,916
Net interest on the net defined benefit liability	16,856	18,370
Interest receivable and similar income	(1,943)	(1,794)
Income and expenditure in relation to investment properties and changes in their fair value	(2,226)	(4,397)
Schools converted to Academy Status	431	1,143
	27,076	**28,238**

12. Taxation and non-specific grant income and expenditure

	2015/16 £000	2014/15 £000
Council Tax Income	(53,435)	(52,512)
Non-domestic rates income and expenditure	(60,131)	(50,286)
Non-ringfenced government grants	(62,276)	(78,513)
Capital grants and contributions	(19,362)	(28,937)
	(195,204)	**(210,248)**

13. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2015	1,213,135	315,720	197,239	12,089	23,938	14,722	2,250	**1,779,093**	14,679
Additions	65,077	4,862	5,477	468	857	16	484	**77,241**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,009	27,515	-	-	-	17,891	-	**83,415**	2,790
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	15,956	8,388	-	-	-	1,679	-	**26,023**	180
Derecognition – disposals	(6,718)	(20,781)	-	-	-	-	-	**(27,499)**	-
Derecognition – other	-	(100)	(1,106)	(245)	-	-	(4)	**(1,455)**	-
Assets reclassified (to)/from Held for Sale	-	(404)	-	-	-	(3,500)	-	**(3,904)**	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	-	-	**-**	-
Other reclassifications	-	(3,227)	-	-	-	3,227	-	**-**	-
Other movements in cost or valuation	-	(75)	-	-	-	-	-	**(75)**	-
At 31 March 2016	**1,325,459**	**331,898**	**201,610**	**12,312**	**24,795**	**34,035**	**2,730**	**1,932,839**	**17,649**
Accumulated Depreciation and Impairment									
At 1 April 2015	(269)	(1,113)	(94,867)	(9,192)	(6,831)	-	-	**(112,272)**	-
Depreciation charge	(19,916)	(5,671)	(12,579)	(962)	(1,831)	-	-	**(40,959)**	(282)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,426	3,335	-	-	-	-	-	**12,761**	221
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,677	2,278	-	-	-	-	-	**12,955**	61
Derecognition – disposals	82	404	-	-	-	-	-	**486**	-
Derecognition – other	-	-	1,106	245	-	-	-	**1,351**	-
Other movements in depreciation and impairment	-	90	-	-	-	-	-	**90**	-
At 31 March 2016	**-**	**(677)**	**(106,340)**	**(9,909)**	**(8,662)**	**-**	**-**	**(125,588)**	**-**
Net Book Value									
at 31 March 2016	**1,325,459**	**331,221**	**95,270**	**2,403**	**16,133**	**34,035**	**2,730**	**1,807,251**	**17,649**

13. Property, Plant and Equipment (cont'd)

Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2014	1,096,092	323,038	188,511	30,338	23,828	15,448	10,247	**1,687,502**	19,985
Additions	55,054	13,076	7,614	521	1,224	27	7,212	**84,728**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,309	5,754	-	-	-	538	-	**23,601**	(5,066)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	45,973	(11,135)	-	-	-	-	-	**34,838**	(240)
Derecognition – disposals	(7,298)	(23,757)	-	-	-	-	(142)	**(31,197)**	-
Derecognition – other	-	(704)	-	(18,770)	-	(184)	-	**(19,658)**	-
Assets reclassified (to)/from Held for Sale	693	-	-	-	-	537	-	**1,230**	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	(1,951)	-	**(1,951)**	-
Other reclassifications	5,312	9,448	1,114	-	(1,114)	307	(15,067)	**-**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2015	**1,213,135**	**315,720**	**197,239**	**12,089**	**23,938**	**14,722**	**2,250**	**1,779,093**	**14,679**
Accumulated Depreciation and Impairment									
At 1 April 2014	(128)	(7,959)	(82,995)	(25,993)	(5,645)	-	-	**(122,720)**	(632)
Depreciation charge	(17,923)	(6,186)	(11,225)	(1,812)	(1,833)	-	-	**(38,979)**	(316)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,039	7,447	-	-	-	-	-	**14,486**	948
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,649	2,465	-	-	-	-	-	**13,114**	-
Derecognition – disposals	94	3,108	-	-	-	-	-	**3,202**	-
Derecognition – other	-	12	-	18,613	-	-	-	**18,625**	-
Other movements in depreciation and impairment	-	-	(647)	-	647	-	-	**-**	-
At 31 March 2015	**(269)**	**(1,113)**	**(94,867)**	**(9,192)**	**(6,831)**	**-**	**-**	**(112,272)**	**-**
Net Book Value									
at 31 March 2015	**1,212,866**	**314,607**	**102,372**	**2,897**	**17,107**	**14,722**	**2,250**	**1,666,821**	**14,679**

(ii) Depreciation and Useful life

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	5 - 60 years
Other Land and Buildings	15 - 50 years
Infrastructure Assets	3 - 40 years
Vehicles, Plant, Furniture & Equipment	4 - 25 years
Community Assets	5 - 73 years

13. Property, Plant and Equipment (cont'd)

(ii) Depreciation and Useful life (cont'd)	**31 March 2016**	**31 March 2015**
The amount charged to services in 2015/16 was:	**£000**	**£000**
Central Services to the Public	164	286
Cultural & Related Services	2,482	3,110
Environmental & Regulatory Services	314	754
Planning Services	1,335	1,437
Education and Children's Services	3,909	4,349
Highways and Transport Services	11,488	9,566
HRA	20,177	18,226
Other Housing Services	64	118
Adult Social Care	920	1,040
Non-Distributed Costs	-	-
Corporate & Democratic Core	-	-
Trading Operations	106	93
	40,959	**38,979**

(iii) Effect of Changes in Estimates

In 2015/16 the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

(iv) Revaluation and Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued through full inspection at least every four years. The Authority has used the external valuation contractor Wilks Head & Eve to carry out the valuations under instruction from the authority's internal Valuation and Property Services. Rolling programme values are reviewed internally to ensure they are not materially misstated at balance sheet date. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 31 March 2016.

The significant assumptions applied in estimating the current values are:

• Valuations of owner occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.

• No allowance has been made for any national or local tax whether existing or which may arise in the future.

• All properties except Housing Dwellings have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.

• Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	**Other Land and Buildings £000**	**Infrastructure Assets £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total £000**
Carrying value under Cost Model	1,408,060	278,511	95,270	2,403	16,133	15,982	2,730	**1,819,089**
Carried at Historical Cost	-	-	95,270	2,403	16,133	-	2,730	**116,536**
Valued at current value as at:								
31 March 2016	1,325,459	302,054	-	-	-	34,035	-	**1,661,548**
31 March 2015	-	16,406	-	-	-	-	-	**16,406**
31 March 2014	-	11,234	-	-	-	-	-	**11,234**
31 March 2013	-	1,527	-	-	-	-	-	**1,527**
	1,325,459	**331,221**	**95,270**	**2,403**	**16,133**	**34,035**	**2,730**	**1,807,251**

13. Property, Plant and Equipment (cont'd)

(iv) Revaluation and Impairments continued.

The Council values its dwellings in accordance with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010". Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation - Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it.

The Council conducted a full revaluation of its dwelling stock in 2015/16 in line with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010." Revaluation based on full inspection of dwellings as at 31 March 2016 was commissioned by the Council, and completed by the external valuer Wilks, Head and Eve.

Where assets are revalued downwards and revaluation losses are in excess of the available Revaluation Reserve, balances are debited to the Surplus or Deficit on the Provision of Services. A review of property,plant and equipment was carried out for 2015/16 and there were no cases of impairment of assets to report.

CIPFA confirmed in April 2013, that impairment and valuation losses not covered by Revaluation Reserve in relation to HRA dwellings - are charged to the HRA Income & Expenditure Statement but during the 5-year transition period (following HRA Self-Financing) will be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS).
For impairment and valuation losses not covered by Revaluation Reserve in relation to HRA non-dwellings - no provision exists to reverse the charges (both during and after transition).

(v) Capital Commitments

The total of capital commitments exceeding £2m at the balance sheet date were as follows:

Service Department	31 March 2016 £000	31 March 2015 £000
Housing Revenue Account	14,855	13,380
	14,855	**13,380**

14. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2014/15 £000
Rental income from investment property	(4,816)	(6,011)
Direct operating expenses (including repairs and maintenance) arising from investment properties	86	81
Net (gain)/loss	**(4,730)**	**(5,930)**

(i) Revaluation

In 2015/16 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2016. The work was undertaken by our independent external valuers - Wilks, Head & Eve, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

14. Investment Properties (cont'd)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2016 £000	31 March 2015 £000
Balance at start of the year	79,310	76,200
Additions:		
• Subsequent expenditure	-	9
Disposals	(596)	(3,247)
Net gains/(losses) from fair value adjustments	2,226	4,397
Transfers:		
• (to)/from Property, Plant and Equipment	-	1,951
Balance at end of the year	**80,940**	**79,310**

Fair Value Hierarchy

All the Council's investment properties have been assessed as Level 2 on fair value hierarchy for valuation purposes (see Note 1 Accounting Policies for an explanation of the fair value levels) with an exception of one asset which has been assessed at Level 3 (Wormwood Scrubs Pony Centre valued at £45.7k).

15. Heritage Assets

(i) Movements on Balances

	Art Collections £000	Books & Printed Materials £000	Ceramics & Glass £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation					
At 1 April 2015	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2016	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2015/16. Further information concerning heritage assets and their valuation can be found in previous Statement of Accounts as published on the Council's website:

https://www.lbhf.gov.uk/sites/default/files/section_attachments/statement_of_accounts_2011-12.pdf

16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	267,460	297,332
Capital Investment		
Property, Plant and Equipment	77,241	84,729
Investment Properties	-	9
Intangible Assets	100	106
Revenue Expenditure Funded from Capital under Statute	18,438	13,437
Sources of Finance		
Capital receipts - used to fund Capital Expenditure	(49,013)	(41,538)
Government grants and other contributions	(39,429)	(53,391)
Sums set aside from revenue:		
Direct revenue contributions	(6,221)	(3,041)
MRP/loans fund principal	(602)	(2,293)
Voluntary Application of Capital Receipts	(902)	(28,500)
Deferred costs of capital disposals	505	610
Closing Capital Financing Requirement	**267,577**	**267,460**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	577	(2,231)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(63)	(63)
Voluntary application of Capital Receipts to repay debt	(902)	(28,500)
Deferred costs of capital disposals	505	610
Assets acquired under finance leases	-	311
Increase/(decrease) in Capital Financing Requirement	**117**	**(29,873)**

17. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessee.

Operating Leases

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

The future minimum lease payments due under these non-cancellable leases in future years are:

	31 March 2016 £000	31 March 2015 £000
Not later than one year	1,073	1,171
Later than one year and not later than five years	3,563	3,652
Later than five years	8,823	9,676
	13,459	**14,499**

The Council has sub-let some of the accommodation and equipment held under these leases. At 31st March 2016 the minimum income expected to be received under non-cancellable sub-leases was £87k (£162k at 31st March 2015).

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	31 March 2016 £000	31 March 2015 £000
Minimum lease payments	1,124	895
Contingent rents	23	558
Sublease payments receivable	(118)	(115)
	1,029	**1,338**

Council as Lessor

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:
- for the provision of community services, such as sports facilities, day centres and community centres
- for economic development purposes providing suitable affordable accommodation for local businesses
- as an investment to make the use of the Council's assets

17. Leases (Finance and Operating) (cont'd)

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2016 £000	31 March 2015 £000
Not later than one year	1,327	1,380
Later than one year and not later than five years	4,087	4,513
Later than five years	8,610	9,511
	14,024	**15,404**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £75k contingent rents were receivable by the Council (2014/15 £75k).

18. Private Finance Initiative

2015/16 was the eleventh year of a 25-year Private Finance Initative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). Hammersmith & Fulham Clinical Commissioning Group also share the services provided at these sites through a back-to-back agreement with the Council.

At the end of the contract ownership of the homes reverts to the Council. A Memorandum of Understanding was agreed in 2015-16 to rebase the Unitary Charge and to clarify that payments are adjusted annually for CPI. The Memorandum does not change any other significant aspect of the contract.

Property Plant and Equipment

The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 13.

Payments

The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

Payments remaining to be made under the PFI contract at 31 March 2016 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services £000	Liability £000	Interest £000	Total £000
Payable in 2016/17	5,075	211	1,205	6,491
Payable within two to five years	21,287	1,171	4,493	26,951
Payable within six to ten years	28,947	2,641	4,439	36,027
Payable within eleven to fifteen years	27,458	4,359	1,931	33,748
	82,767	8,382	12,068	103,217

18. Private Finance Initiative (cont'd)

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2015/16 £000	2014/15 £000
Balance outstanding at start of year	8,570	8,735
Payments during the year	(186)	(165)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**8,384**	**8,570**

19. Debtors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	19,668	12,970
Other local authorities	21,525	9,874
NHS bodies	2,645	6,583
Public corporations and trading funds	1	1
Other entities and individuals	30,286	26,130
Total	**74,125**	**55,558**

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2016 £000	31 March 2015 £000
Cash held by the Council	182	59
Bank current accounts	28,026	457
School bank accounts	37,949	22,351
Short-term deposits	34,619	39,150
Total	**100,776**	**62,017**
Bank overdraft*	(111)	(3,194)
	(111)	**(3,194)**
Net Cash and Cash Equivalents	**100,665**	**58,823**

*The year-end bank overdraft reflects the bank position including all outstanding and unpresented items.
LBHF does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

21. Assets Held For Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	Current Assets	
	31 March 2016	**31 March 2015**
	£000	**£000**
Balance outstanding at start of year	2,401	9,224
Additions:		
Assets newly classified as held for sale:		
• Property, Plant and Equipment	3,889	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	(1,230)
Assets sold	(2,401)	(5,593)
Balance outstanding at year-end	**3,889**	**2,401**

22. Creditors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	(36,733)	(42,052)
Other local authorities	(33,142)	(20,366)
NHS bodies	(11,700)	(9,131)
Public corporations and trading funds	-	-
Other entities and individuals	(93,327)	(67,014)
Total	**(174,902)**	**(138,563)**

23. Other Long Term Liabilities

	31 March 2016 £000	31 March 2015 £000
Net Pensions Liability	(490,931)	(522,349)
Long Term Lease Liability	(8,414)	(8,829)
TOTAL	**(499,345)**	**(531,178)**

24. Provisions

	Insurance	NDR - Losses on Appeals	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2014	**(3,347)**	**(11,725)**	**(2,662)**	**(17,734)**
Additional provisions	-	(8,990)	(672)	**(9,662)**
Amounts used	851	3,235	1,234	**5,320**
Unused amounts reversed	-	-	948	**948**
Unwinding of discounting	-	-	-	**-**
Balance at 31 March 2015	**(2,496)**	**(17,480)**	**(1,152)**	**(21,128)**
Additional provisions	(36)	-	-	**(36)**
Amounts used	-	3,073	86	**3,159**
Unused amounts reversed	-	4,263	763	**5,026**
Unwinding of discounting	-	-	-	**-**
Balance at 31 March 2016	**(2,532)**	**(10,144)**	**(303)**	**(12,979)**
Of which:				
Next twelve months	(2,532)	(10,144)	-	(12,676)
Over twelve months	-	-	(303)	(303)
Balance at 31 March 2016	**(2,532)**	**(10,144)**	**(303)**	**(12,979)**

24. Provisions (cont'd)

Following the introduction of the new Business Rates Retention Scheme by Central Government on 1 April 2013, the Council must account for its share of Non-Domestic Rates assets and liabilities. As a result of this, the Council has been exposed to a significant number of outstanding ratings appeals, the estimated liability for this has been included in the table above.

The Council's insurance provision (held for known future insurance claims resulting from the Council's self-insurance of liability risks and fire damage) received a full actuarial assessment of the Insurance Fund position as at 31 March 2013. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims they have currently received for which they expect payment in the next 12 months.

During 1992/93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2012/13 and the Council was required to pay a levy of £426K in 2013/14, for which a provision was made in 2012/13 accounts; representing 15% of claims payments made to date. MMI in setting this 15% levy chose a mid-point based upon on actuarial analysis of potential future losses with the aim of ensuring a solvent run off of current losses and those yet to emerge. A further 10% levy is due to be paid in 2016/17 and this can be met from the existing provision. This means the Council will be required to fund 25% of all payments for any newly reported losses during the period of MMI policy coverage prior to 1993. The Council has sufficient funds in its Insurance reserve to cover this exposure.

Other Provisions include:

• £0.303m to cover HRA legal fees and disrepair cases

25. Financial Instruments

(i) Financial Instruments - Balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2016 £000	**31 March 2015 £000**	**31 March 2016 £000**	**31 March 2015 £000**
Financial Assets:				
Investments - Loans and Receivables	100	100	60,128	108,675
Investments - Available for sale financial assets	-	-	204,702	211,921
Cash & cash equivalents	-	-	100,665	58,822
Long Term Debtors	1,637	1,648	-	-
Trade Debtors	-	-	70,335	54,549
Total	**1,737**	**1,748**	**435,830**	**433,967**
Financial Liabilities : Measured at amortised cost				
Borrowings	(225,073)	(232,144)	(9,869)	(18,856)
Bank overdraft	-	-	-	-
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(7,924)	(2,374)
Total	**(225,173)**	**(232,244)**	**(17,793)**	**(21,230)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(8,625)**	**(8,829)**	**(386)**	**(502)**

Note 1 - Under accounting requirements the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or lent including accrued interest.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

The amounts for trade debtors and creditors are the values identified in Notes 19 and 22 to the accounts gross of any allowance for bad debts, see paragraph on Credit Risk in Note 26 below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 17 and 18.

25. Financial Instruments (cont'd)

(ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2015/16 or previous years.

(iii) Income, Expense, Gains and Losses

	2015/16				2014/15			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale Assets £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest expense	13,958	-	-	13,958	14,916	-	-	14,916
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**13,958**	**-**	**-**	**13,958**	**14,916**	**-**	**-**	**14,916**
Interest income	-	(792)	(1,151)	(1,943)	-	(589)	(1,205)	(1,794)
Increases in fair value	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	**-**	**(792)**	**(1,151)**	**(1,943)**	**-**	**(589)**	**(1,205)**	**(1,794)**
Net gain/(loss) for the year	**13,958**	**(792)**	**(1,151)**	**12,015**	**14,916**	**(589)**	**(1,205)**	**13,122**

25. Financial Instruments (cont'd)

(iv) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Public Works Loan Board (PWLB) loans have been valued using the standard new loan rates published by the Debt Management Office (DMO) on 31st March 2016.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade debtors and creditors are taken to be the invoiced amounts.
- The fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value.

The amount for long term debtors at 31 March 2016 includes outstanding mortgages of £57k (£68k 31 March 2015). As the interest rate charged to mortgagees is linked to the market rate and given the relatively small amount outstanding fair value is taken to be the carrying value. Therefore any difference between carrying and fair value on long term debtors would be insignificant.

£100k of the Long Term investment at 31 March 2016 (£100k at 31 March 2015) shown in section (i) relates to the Council's investment in the GLE Group matched by the long term creditor of the same amount. Again as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
Borrowings				
PWLB Debt	(231,896)	(293,646)	(247,599)	(309,634)
Total	**(231,896)**	**(293,646)**	**(247,599)**	**(309,634)**
Financial Assets				
Loans and receivables				
Money market loans less than one year	60,128	60,128	108,675	108,675
Money market loans greater than one year	-	-	-	-
Available for Sale less than one year	204,702	204,702	211,921	211,921
Available for Sale greater than one year	-	-	-	-
Total	**264,830**	**264,830**	**320,596**	**320,596**

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB certainty rate as the discount factor, if the premature repayment rate were to be used the fair value would be £335,755k as at 31 March 2016 (£352,254k at 31 March 2015.)

The fair value for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB standard new loan rates at each Balance Sheet date. They include accrued interest.

25. Financial Instruments (cont'd)

At 31st March 2016, all money market loans and receivables are repayable within one year. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

26. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks as follows:
- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
  - overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures for the maturity structure of its debt;
  - maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.
These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

26. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non investment activity related financial instrument.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the Code of Practice on Treasury Management in the Public Services. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in Note 19. The sums shown are net of a prudent allowance for their impairment amounting to £45.61 million at 31 March 2016 (£42.98 million at 31 March 2015). The council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2016 £000	31 March 2015 £000
Less than three months	41,900	39,072
Three to six months	4,629	1,688
Six months to one year	3,171	3,143
More than one year	20,635	10,647
	70,335	**54,550**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

• monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
• monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

26. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The maturity analysis of financial liabilities is as follows:

	31 March 2016 £000	31 March 2015 £000
Less than one year	(9,869)	(18,856)
Between one and two years	(7,417)	(7,074)
Between two and five years	(25,673)	(21,680)
Between five and ten years	(19,968)	(31,379)
More than ten years	(171,763)	(171,763)
Total	**(234,690)**	**(250,752)**

The maturity analysis of financial assets is as follows:

	31 March 2016 £000	31 March 2015 £000
Less than one year	264,830	320,596
Between one and two years	-	-
Between two and three years	-	-
More than three years	1,737	1,748
Total	**266,567**	**322,344**

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year.

Market risk

Interest Rate Risk: The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument durations. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates: the fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates: the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments is posted to the Surplus or Deficit on the Provision of Services and affects the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

Price risk: the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

27a. Cash Flow Statement - Net Cash Flow from Operating Activities

	2015/16 £000	2014/15 £000
Adjustment for items included elsewhere in the Cash Flow		
Capital Grants	(25,793)	(15,693)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	41,136	39,167
Impairments and revaluations	(41,203)	(52,349)
Value of non-current assets derecognised on disposal	27,713	32,275
Value of 'Assets Held for Sale' derecognised on disposal	2,401	5,594
Assets transferred to/(from) Assets Held for Sale	3,889	(1,230)
Net adjustment made in respect of IAS 19 (Pensions)	19,034	17,590
Revaluations of Available for Sale Financial Assets	(585)	(525)
Amortisation of Premia and Discounts	4	4
Impairment of Financial Instruments	-	-
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	(18,748)	2,787
add/less: (Increase)/decrease in Capital Debtors	(845)	434
(Increase)/decrease in Long-term Debtors	11	25
Increase/(decrease) in short-term Creditors*	35,080	(26,188)
add/less: Increase/(decrease) in Capital Creditors	(100)	(3,105)
Assets transferred to 'Assets Held for Sale'	(3,889)	1,229
(Increase)/decrease in Inventories	19	22
Increase/(decrease) in Provisions	(8,149)	3,394
Increase/(decrease) in Grants and Contributions Receipts in Advance	(2,648)	97
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**27,327**	**3,528**

*Excluding movements in the Collection Fund Debtors/Creditors with precepting authorities and the short-term element of Finance Leases and PFI's which are included on the face of the cashflow statement.

27b. Cash Flow Statement - Operating Activities

The cash inflows/(outflows) for operating activities include the

	2015/16 £000	2014/15 £000
Interest Received	2,014	1,846
Interest Paid	(13,011)	(13,558)

28. Agency Services

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. In some cases the council makes a small surplus or deficit on these agreements through commission or reimbursement of costs. These surpluses or deficits are included within the relative service lines in the CIES. Bodies with whom we have these agency agreements include Thames Water, Transport for London, London Councils and various Academies in the borough.

29. Members' Allowances

The Council paid the following amounts to members of the council during the year.

	2015/16 £000	2014/15 £000
Members' Allowances	816	777

30. Officers' Remuneration

This note shows the remuneration as paid through the Council's payroll to the Council's Chief Executive, Statutory Chief Officers, members of the Senior Management Team (H&F Business Board) and employees earning over £150,000. It includes employees with responsibilities for Shared Services with Royal Borough of Kensington (RBKC) and Westminster City Council (WCC)

	Notes		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Nigel Pallace - Chief Executive H & F.	3,21	**2015/16**	**185,000**	**9,250**	**832**	**-**	**27,270**	**222,352**
		2014/15	169,966	**16,997**	-	-	23,179	210,142
Jane West - Executive Director of Finance & Corporate Governance	4	**2015/16**	**93,410**	**-**	**-**	**-**	**14,752**	**108,162**
		2014/15	158,620	15,862	-	-	23,466	197,948
Lyn Carpenter - Shared Services Executive Director Environment, Leisure & Residents Services for LBHF and RBKC	5	**2015/16**	**72,094**	**-**	**-**	**-**	**11,665**	**83,759**
		2014/15	157,215	14,316	-	-	23,379	194,910
Melbourne Barrett - Executive Director of Housing & Regeneration	11,21	**2015/16**	**2,293**	**-**	**-**	**-**	**310**	**2,603**
		2014/15	137,592	10,664	-	-	18,881	167,137
Elizabeth Bruce - Shared Services Executive Director of Adult Social Care for LBHF, RBKC and WCC	6	**2015/16**	**158,132**	**10,850**	**352**	**-**	**22,665**	**191,999**
		2014/15	139,341	9,754	482	-	21,233	170,810
Tasnim Shawkat - Shared Services Director of Law for LBHF and RBKC	7	**2015/16**	**114,803**	**8,036**	**-**	**-**	**17,203**	**140,042**
		2014/15	114,803	12,628	18	-	17,444	144,893
Hitesh Jolapara - Strategic Finance Director	8	**2015/16**	**124,803**	**13,728**	**-**	**-**	**17,973**	**156,504**
		2014/15	118,970	8,328	-	-	16,832	144,130
Philip Cross - Executive Headteacher, Hurlingham and Chelsea School	9	**2015/16**	**59,000**	**-**	**-**	**-**	**-**	**59,000**
		2014/15	85,355	-	27,145	-	15,863	128,363
Michael England - Director of Housing Strategy and Options and Joint Lead Director for Housing	11	**2015/16**	**104,190**	**5,197**	**-**	**-**	**14,885**	**124,272**
		2014/15	94,627	7,570	-	-	13,921	116,118
Kathleen Corbett - Director of Finance and Resources and Joint Lead Director for Housing	11	**2015/16**	**109,526**	**10,484**	**-**	**-**	**15,518**	**135,528**
		2014/15	98,828	6,918	-	-	14,295	120,041
Michael Hainge - Commercial Director	12	**2015/16**	**34,934**	**2,446**	**-**	**-**	**4,716**	**42,096**
		2014/15	-	-	-	-	-	-
Kim Dero - Director of Delivery and Value	13	**2015/16**	**117,601**	**11,981**	**-**	**-**	**17,440**	**147,022**
		2014/15	-	-	-	-	-	-
Ed Garcez - Chief Information officer	14	**2015/16**	**105,085**	**7,336**	**-**	**-**	**15,177**	**127,598**
		2014/15	104,803	7,336	-	-	15,960	128,099
Juliemma McLoughlin - Director of Planning and Growth	15	**2015/16**	**120,000**	**8,400**	**-**	**-**	**5,940**	**134,340**
		2014/15	89,308	7,145	249	-	13,060	109,762
Maureen McDonald-Khan - Director of Buildings and Property Management	15	**2015/16**	**102,310**	**3,069**	**-**	**-**	**14,613**	**119,992**
		2014/15	98,857	6,920	-	-	14,407	120,184
Nick Austin - Director of Environmental Health	16	**2015/16**	**100,847**	**8,068**	**-**	**-**	**14,822**	**123,737**
		2014/15	99,364	8,942	-	-	14,768	123,074
Sue Harris - Director of Cleaner, Greener and Cultural Services	17	**2015/16**	**106,319**	**7,442**	**-**	**-**	**8,881**	**122,642**
		2014/15	99,364	6,955	-	-	14,357	120,676
David Page - Director of Safer Neighbourhoods	18	**2015/16**	**101,115**	**7,059**	**-**	**-**	**14,777**	**122,951**
		2014/15	96,816	6,796	-	-	14,736	118,348
Debbie Morris - Director of Human Resources	19	**2015/16**	**114,506**	**9,012**	**-**	**-**	**16,800**	**140,318**
		2014/15	101,268	9,936	147	-	15,129	126,480
Alan Streeter - Executive Headteacher Phoenix High School	20	**2015/16**	**130,000**	**-**	**-**	**-**	**20,135**	**150,135**
		2014/15	130,000	-	-	-	18,330	148,330

30. Officers' Remuneration (cont'd)

Note 1 - The following Senior Officers are employed by RBKC, on a Shared Services basis. Information regarding their remuneration can be found on RBKC's website www.rbkc.gov.uk.

- The Chief Executive role was a Shared Services role with RBKC until the 25th October 2014. As Nicholas Holgate retained s151 responsibilities for RBKC his salary was shared on the following basis: 42% (LBHF): 58% RBKC.
- The Shared Services Executive Director of Children's Services (Andrew Christie) is shared equally between LBHF, RBKC and WCC.
- The Director of Transport and Highways (Mahmood Siddiqi) is employed by RBKC and is split on the following basis 50% (RBKC):50%(LBHF).

Note 2 - The Director of Public Health is shared on a Shared Services basis. Meradin Peachey was the post holder until 4th January 2015. From the 5th January 2015, Stuart Lines (Deputy Director of Public Health for LBHF, was acting up, until the 15th November 2015. The current Director of Public Health, Dr Mike Robinson, began in this post on the 16th November 2015. This role is shared on the following basis: 29% (LBHF): 31% (RBKC): 40% (WCC).
All of these officers are WCC employees and Information regarding their remuneration can be found on WCC's website www.westminster.gov.uk.

Note 3 -Nigel Pallace was Shared Services Executive Director Transportation & Technical Services with RBKC. Up until the 26th October 2014 this role was shared on the following basis: 75% (LBHF): 25% (RBKC). From taking up the role of Interim Chief Executive from 27th October 2014 this changed to 100% LBHF. This appoinment was made permanent 20th May 2015.

Note 4 - Seconded to WCC 1st March 15 as Interim Shared Services Executive Director for Corporate Services for WCC/RBKC. Left 2nd November 2015.

Note 5 - This is a Shared Services role and is split on the following basis: 50% (LBHF): 50% (RBKC). Left 13/09/15.

Note 6 - This is a Shared Services role and is split on the following basis 46% (LBHF): 33% (WCC): 21% (RBKC).

Note 7 - This is a Shared Services role and is split on the following basis: 33.3% (LBHF): 33.3% (RBKC): 33.3% (WCC). Included as the Monitoring Officer for LBHF. In 2014-15 this post was shared 50% (LBHF): 50% RBKC.

Note 8 - This was a Shared Services role with RBKC. Assumed Section 151 responsibilities for LBHF from 1st March 2015 and until 1st of November 2015 the role was split 80% (LBHF): 20% (RBKC). From 2nd November 2015 this post is 100% LBHF.

Note 9 - Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council. Philip Cross left 31st December 2014 and the school is now an Academy, so no staff costs will appear in the Council's accounts. The amounts included for 2015-16 are back pay and a settlement payment.

Note 10 - The above remuneration disclosure does not include payments for returning officer duties.

Note 11 - Melbourne Barrett left on the 6th April 2015 . This post has been covered in the interim by Kathleen Corbett and Mike England on a joint basis.

Note 12 - Started as Commercial Director on the 1st December 2015 . This is a newly created post.

Note 13 - Started as Director of Delivery and Value in 1st July 2015. This is a newly created post.

Note 14 - This is a Shared Services role and is split on the following basis: 33.3% (LBHF): 33.3% (RBKC): 33.3% (WCC). This post reports directly to the Chief Executive. In 2014/15 this post reported to the Executive Director of Finance and Corporate

Note 15 - These posts report directly to the Chief Executive. In 2014/15 they reported to the Shared Services Executive Director Transportation & Technical Services, so were not disclosed.

Note 16 - This is a Shared Services role and is split on the following basis: 50% (LBHF): 50% (RBKC). This post reports directly to the Chief Executive. In 2014/15 they reported to the Shared Services Executive Director Transportation & Technical Services, so were not disclosed.

Note 17 - This is a Shared Services role and is split on the following basis: 35% (LBHF): 65% (RBKC). This post reports directly to the Chief Executive. In 2014/15 they reported to the Shared Services Executive Director Environment, Leisure & Residents Services, so were not disclosed.

Note 18 - This is a Shared Services role and is split on the following basis: 80% (LBHF): 20% (RBKC). This post reports directly to the Chief Executive. In 2014/15 they reported to the Shared Services Executive Director Environment, Leisure & Residents Services, so were not disclosed.

Note 19 - This is a Shared Services role and is split on the following basis: 50% (LBHF): 50% (RBKC). This post reports directly to the Chief Executive. In 2014/15 this post reported to the Executive Director of Finance and Corporate Governance, so was not disclosed.

Note 20 - Included in 2015-16 as total remuneration now over £150,000. Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council.

Note 21 - Bonuses - In the 2014/15 Statement of Accounts, the bonus payments for Nigel Pallace and Melbourne Barrett were estimates as they had not been agreed in time for the publication of the accounts. These payments were agreed during 2015/16, and the 2014/15 figures have been restated to reflect this. The bonus figure for Nigel Pallace for 2015/16 has not been finalised, and is currently estimated at 5%.

30. Officers' Remuneration (cont'd)

Including Redundancies

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

(These numbers do not include senior employees shown in the previous table)

Excluding Redundancies

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and excluding redundancy payments) were paid the following amounts:

(These numbers do not include senior employees shown in the previous table)

	Including Redundancies		Excluding Redundancies	
	2015/16	**2014/15**	**2015/16**	**2014/15**
Remuneration Band	**Number of Employees**	**Number of Employees**	**Number of Employees**	**Number of Employees**
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£130,000 - £134,999	-	1	-	1
£125,000 - £129,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	2	-	2	-
£110,000 - £114,999	2	7	2	6
£105,000 - £109,999	5	9	4	9
£100,000 - £104,999	-	3	-	3
£95,000 - £99,999	2	3	2	3
£90,000 - £94,999	4	5	4	5
£85,000 - £89,999	11	4	10	4
£80,000 - £84,999	14	14	14	13
£75,000 - £79,999	22	16	20	16
£70,000 - £74,999	12	20	12	19
£65,000 - £69,999	18	18	16	18
£60,000 - £64,999	31	20	29	20
£55,000 - £59,999	51	52	51	52
£50,000 - £54,999	106	102	106	101
Total	**280**	**274**	**272**	**270**

Of the 280 employees listed above in 2015/16, 114 (41%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2014/15 was 126 (46%).

Of the 272 employees listed above in 2015/16, 114 (42%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2014/15 was 125 (46%).

This note discloses officers in the council's payroll who may be shared via the Shared Services arrangements.

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2015/16	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
£0 - £20,000	17	35	9	23	26	58	268,171	455,988
£20,001 - £40,000	3	18	2	4	5	22	121,906	600,779
£40,001 - £60,000	3	2	1	3	4	5	180,704	269,569
£60,001 - £80,000	-	-	2	1	2	1	129,303	74,523
£80,001 - £100,000	-	-	1	1	1	1	87,765	86,135
Over £100,001	-	-	-	1	-	1	-	115,531
Total	**23**	**55**	**15**	**33**	**38**	**88**	**787,849**	**1,602,526**

This includes exit packages agreed by School Governing Bodies. Exit packages include the accrued cost of added years (the pension strain). These costs are not paid to individuals but reflect the cost to the council of the employee retiring early, without actuarial reduction of their pension.

2014/15 figures have been amended to reflect the correct timing of when Exit Packages are recognised in the accounts

31. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council paid £4.21 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.5% of pensionable pay. The figures for 2014/15 were £4.13 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2015/16 the costs arising from additional benefits amounted to £338.6k (2014/15: £342.6k).

32. Defined Benefit Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the following post employment schemes:

• The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).

• The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).

The schemes are funded defined benefit salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme to 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect on 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

• Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

• Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

• Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

• Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Pension Funds, there is an orphan risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Council e.g. higher than expected investment returns.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments when they eventually fall due.

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

32. Defined Benefit Schemes (cont'd)

	LBHF Local Government		LPFA Local Government	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	23,561	18,952	209	216
• past service costs including curtailments	754	819	20	-
• (gain)/ loss from settlements	(2,654)	(774)	-	-
• administration expenses	625	562	64	62
Financing and Investment Income and Expenditure:				
• net interest expense	16,654	18,258	202	112
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**38,940**	**37,817**	**495**	**390**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability				
• Return on plan assets (excluding the amount included in the net interest expense)	35,236	(63,921)	1,559	(1,025)
• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
• Actuarial gains and losses arising on changes in financial assumptions	(84,542)	138,759	(3,162)	4,966
• Experience loss/ (gain) on defined benefit obligation	482	(680)	(25)	21
• Other actuarial gains/ (losses)	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(9,884)**	**111,975**	**(1,133)**	**4,352**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	17,767	(17,602)	162	12
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	17,767	17,729	162	370
• retirement benefits payable to pensioners (unfunded pension payments)	2,436	2,486	33	35

32. Defined Benefit Schemes (cont'd)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2015/16 £000	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**
Opening balance 1 April	**1,267,928**	**1,090,430**	**49,165**	**44,343**
Current service cost	23,561	18,952	209	216
Interest cost	41,304	47,595	1,441	1,817
Remeasurement (gains) and losses:				
- Change in financial assumptions	(84,542)	138,759	(3,162)	4,966
- Change in demographic assumptions	-	-	-	-
- Experience loss/(gain) on defined benefit obligation	482	(680)	(25)	21
Liabilities assumed/ (extinguished) on settlements	(3,413)	1,615	-	-
Estimated benefits paid net of transfers in	(33,329)	(32,213)	(2,338)	(2,211)
Past service costs, including curtailments	754	819	20	-
Contributions by Scheme participants	5,282	5,137	40	48
Unfunded pension payments	(2,436)	(2,486)	(33)	(35)
Closing balance at 31 March	**1,215,591**	**1,267,928**	**45,317**	**49,165**

Reconciliation of fair value of the scheme (plan) assets:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2015/16 £000	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**
Opening balance 1 April	**752,382**	**666,643**	**42,364**	**41,489**
Interest on assets	24,650	29,337	1,239	1,705
Remeasurement gain/ (loss):				
- Return on assets less interest	(35,236)	63,921	(1,559)	1,025
- Other actual gains/ (losses)	-	-	-	-
Administration expenses	(625)	(562)	(64)	(62)
Contributions by employer including unfunded	20,203	20,215	195	405
Contributions by scheme participants	5,282	5,137	40	48
Estimated benefits paid plus unfunded net of transfers in	(35,764)	(34,699)	(2,371)	(2,246)
Settlement prices received/ (paid)	(759)	2,390	-	-
Closing balance at 31 March	**730,133**	**752,382**	**39,844**	**42,364**

32. Defined Benefit Schemes (cont'd)

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2016 £000	31 March 2015 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,181,539	1,231,756
LBHF Local Government Pension Scheme (Unfunded)	34,052	36,171
LPFA Local Government Pension Scheme (Funded)	45,060	48,851
LPFA Local Government Pension Scheme (Unfunded)	257	314
Fair Value of Assets		
LBHF Local Government Pension Scheme	(730,133)	(752,382)
LPFA Local Government Pension Scheme	(39,844)	(42,364)
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	485,458	515,545
LPFA Local Government Pension Scheme	5,473	6,801
Total	**490,931**	**522,346**

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total net liability of £490.931m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

• the deficits on both local government schemes will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

• finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

32. Defined Benefit Schemes (cont'd)

Local Government Pension Scheme assets

The return on the Funds (on a bid value to bid value basis) for the year 31 March 2016 is estimated to be -1% for LBHF Local Government Pension Scheme and -1% for LPFA Local Government Pension Scheme. The actual return on Fund assets over the year may be different. The asset allocations are set out below:

		LBHF Local Government Pension Scheme			
		31 March 2016		**31 March 2015**	
		£000	**%**	**£000**	**%**
Equities	UK	186,654	26%	178,500	24%
	Overseas	207,476	28%	244,343	33%
Gilts	UK	13,705	2%	14,534	2%
	Overseas	15,148	2%	14,797	2%
Absolute Return Portfolio		61.948	8%	60.762	8%
LDI		-	0%	113,711	15%
Commodities		2,669	1%	2,503	0%
Cash		53,630	7%	123,232	17%
Property		38,765	5%	-	0%
Secure Income Funds		83,854	12%	-	0%
Inflation Opportunity Funds		66,284	9%	-	0%
Total		**730,133**	**100%**	**752,382**	**100%**

	LPFA Local Government Pensions Scheme			
	31 March 2016		**31 March 2015**	
	£000	**%**	**£000**	**%**
Equities	18,509	47.0%	18,380	43.0%
LDI/Cashflow matching	4,039	10.0%	3,180	8.0%
Target Return Portfolio	8,475	21.0%	12,247	29.0%
Infrastructure	2,183	5.0%	2,099	5.0%
Commodities	178	0.0%	394	1.0%
Property	1,422	4.0%	1,200	3.0%
Cash	5,038	13.0%	4,864	11.0%
Total	**39,844**	**100.0%**	**42,364**	**100.0%**

Asset and Liability Matching Strategy

During 2014/15 the LBHF Pension Fund invested approximately 15% of the Fund's assets in a Liability Driven Investment (LDI) bespoke pooled in order to match approximately 25% of the Fund's liabilities to manage the risks of inflation and interest rates. In 2015/16 the Fund decided to replace this investment with a range of investments in secure income and inflation opportunity pooled funds to achieve the same protection against inflation and interest risks, whilst seeking to achieve a higher investment return.

These investments sit alongside an absolute return bond fund which also assists in the management of inflation and interest rate risks. The remainder of the Fund is invested in growth assets which aim to maximise the return to the Fund.

32. Defined Benefit Schemes (cont'd)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The LBHF Local Government Pension Scheme and LPFA Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2015/16	2014/15	2015/16	2014/15
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	22.9	22.8	21	21.3
Women	25.3	25.2	24.7	24.6
Life expectancy from age 65 - retiring in 20 years				
Men	25.2	25.1	23.8	23.7
Women	27.7	27.6	27.0	26.9
Financial Assumptions				
Rate of Inflation - RPI	3.2%	3.2%	2.9%	3.0%
Rate of Inflation - CPI	2.3%	2.4%	2.0%	2.2%
Rate of Increase in Salaries	4.1%	4.2%	3.8%	4.0%
Rate of Increase in Pensions	2.3%	2.4%	2.0%	2.2%
Discount Rate	3.6%	3.3%	3.3%	3.0%

These assumptions are set with reference to market conditions at 31 March 2016.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The projected service costs for 2016/17 are £21,158k (LBHF) and £189k (LPFA).

	Impact on the Defined Benefit Obligation in the Scheme			
	LBHF Local Government Pension		LPFA Local Government Pension	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Adjustment to:				
Discount Rate (+/- 0.1%)	20,699	21,628	186	192
Long term salary increase (+/- 0.1%)	21,168	21,148	189	189
Pension increases and deferred revaluation* (+/- 0.	21,623	20,703	192	186
Mortality age rating assumption (+/- 1 year)	21,698	20,631	194	184

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent

Impact on the Council's Cash Flows

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by Regulations. The actuarial valuation of the fund was carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a level of funding of 100% using the actuarial valuation assumptions. LBHF have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 22 year period.

The total contributions expected to be made by the council in the year to 31 March 2017 are £18.916m to the LBHF Local Government Pension Scheme and £0.132m to the LPFA Local Government Pension Scheme.

The actuary's estimate of the duration of the Employer's liabilities is 18 years for LBHF Local Government Pension Scheme and 14 years for LPFA Local Government Pension Scheme.

33. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2015/16 £000	2014/15 £000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	164	216
Fees payable to External Audit for the certification of grant claims and returns for the year	31	38
Audit Commission Rebates (relates to 2013/14 Fee)	-	(43)
Non-Audit Services	-	-
Total	**195**	**211**

34. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the Schools Budget funded by DSG receivable for 2015/16 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total 2015/16 £000	Total 2014/15 £000
Final DSG for 2015/16 before Academy Recoupment			132,057	119,087
Academy figure recouped for 2015/16			(48,415)	(28,695)
Total DSG after Academy recoupment for 2015/16			83,642	90,392
Plus: Brought forward from 2014/15			5,281	6,185
Less:Planned carry-forward to 2016/17			(3,797)	-
Agreed initial budgeted distribution in 2015/16	9,913	75,213	85,126	96,577
In year adjustments	(1,099)	1,099	-	-
Final budgeted distribution for 2015/16	8,814	76,312	85,126	96,577
Less: Actual central expenditure	(11,022)		(11,022)	(15,360)
Less: Actual ISB deployed to schools		(76,891)	(76,891)	(75,936)
Plus Local authority contribution for 2015/16	-	-	-	-
Carry Forward to 2016/17	**(2,208)**	**(579)**	**(2,787)**	**-**
Total DSG Carried Forward			**1,010**	**5,281**

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(47,791)	(66,054)
New Homes Bonus	(4,105)	(4,638)
Section 106 Non-ringfenced	(2,246)	(170)
Housing Benefit Admin Subsidy	(1,750)	(1,989)
Education Services	(1,371)	(1,769)
Independent Living Grant	(671)	-
Care Act Implementation and Early Assessments Grants	(627)	-
Council Tax Freeze	(621)	(631)
S31 Grant - Business Rates Retention Scheme Relief	(1,697)	(1,262)
Special Education Needs	(109)	(488)
Welfare Reform Change	-	(821)
Other Non-ringfenced government grants	(1,288)	(861)
Capital grants and contributions	(19,362)	(28,767)
Total	**(81,638)**	**(107,450)**
Credited to Services		
Housing & Council Tax Benefit Subsidy	(144,868)	(150,668)
Dedicated Schools Grant	(87,823)	(91,296)
Public Health Grant	(21,414)	(19,149)
Pupil Premium Grant	(5,539)	(6,862)
Section 106	(2,825)	(1,837)
DfE Capital Grants	(4,108)	(3,300)
Adult Learning	(2,839)	(1,693)
PFI Grants	(1,429)	(1,474)
Transport for London / Surface Transport	(1,394)	(1,291)
Further Education	-	(1,271)
Infant Free School Meals	(1,248)	(655)
Troubled Families	(904)	(249)
London Crime Prevention Fund	(676)	-
NDR and BRS Cost of Collection Allowance	(586)	(586)
Social Work Grants	(26)	(1,010)
Sixth Form Grant	(5,985)	(5,773)
Adoption Reform Grant	-	(221)
Other grants and contributions	(6,345)	(4,301)
Total	**(288,009)**	**(291,636)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are:

	2015/16 £000	2014/15 £000
Grants and Contributions Receipts in Advance (Current)		
Public Health Grant	(4,295)	(4,242)
New Homes Bonus Grant	(1,564)	-
Dedicated Schools Grant	(1,010)	(5,281)
Learning & Skills Council - revenue	(856)	(890)
Social Work Grants	(172)	(535)
Pupil Premium Grant	-	(92)
Focus on Practice grant	-	(974)
Other grants - revenue	(470)	(581)
Total	**(8,367)**	**(12,595)**

35. Grant Income (cont'd)

	2015/16 £000	2014/15 £000
Grants and Contributions Receipts in Advance (Non-Current)		
Developer contributions (inc. section 106)	(13,298)	(12,350)
TfL	(2,192)	(2,050)
Social Care Grant	(511)	-
Winterbourne Grant	(300)	(300)
Other capital grants	(211)	(232)
Total	**(16,512)**	**(14,932)**

36. Related Parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding.

Grants received from government departments are set out in Note 6 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 35.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 29.

Information regarding reportable transactions has been collated by requiring all Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings.

During 2015/16, the Council engaged in various transactions with related parties - per information provided by Councillors and Chief Officers - to the value of £759k. The most significant transactions are to charitable organisations.

In addition to the above, many Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include the Western Riverside Waste Authority and schools.

Pension Fund

The Council is the administering authority of the Pension Fund. The Council owed the Pension Fund a net amount of £174k at the year end. The Council incurred costs of £413k expenses in relation to administering the fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

Other Public Bodies

The Council has a pooled budget arrangement with Central London Clinical Commissioning Group for the provision of community equipment. This is now included in Note 37.

Shared Services

The Council has entered into joint working arrangements with the City of Westminster and the Royal Borough of Kensington and Chelsea. The nature of these arrangements does mean that each borough influences the others however, each borough remains sovereign.

37. Better Care Fund Pooled Budget

The Authority has entered into a pooled budget arrangement with The Hammersmith and Fulham Clinical Commissioning Group for the provision of Adult Social Care services to older people, people with physical or learning disabilities, people with mental health problems and services to safeguard adults.

The aim is to meet the needs of people living in the area of the London Borough of Hammersmith & Fulham. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the reablement of residents.

The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed.

The pooled budget includes all income and expenditure relating to the Better Care Fund, whether funded by the local authority or the health service.

It is hosted by the London Borough of Hammersmith and Fulham, however, not all transactions pass through the Borough's accounting system.

The pooled budget for Joint Equipment has now been absorbed within the Better Care Fund.

The following table summarises the position for 2015/16:

	2015/16 £000
Contributions to the Pooled Budget:	
London Borough of Hammersmith & Fulham	(8,900)
Hammersmith and Fulham Clinical Commissioning Group	(30,813)
Total Contributions	**(39,713)**
Expenditure Met by the Pooled Budget:	
Costs relating to the reablement of residents	7,248
Costs relating to supporting residents to remain in their own homes	-
Costs relating to care provided in residential settings or in community settings	30,401
Support Services and programme management relating to the BCF	1,473
Total Expenditure	**39,122**
Net (surplus)/deficit arising on the pooled budget in the year	(591)
Net (surplus)/deficit split by:	
Share of the net (surplus)/deficit due to the London Borough of Hammersmith & Fulham (Includes capital resources of £248k)	(25)
Share of the net (surplus)/deficit due to the Hammersmith & Fulham Clinical Commissioning Group	(566)

38. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the Council were £230k in 2015/16. The latest audited accounts available, those relating to 2014/15, show net assets of £9,816k (£7,953k in 2013/14) and a profit on its activities in that year of £1,857k (£2,831k in 2013/14). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

Since 2011 the Council, as the major leaseholder, has taken the procurement lead in the Lyric Theatre Redevelopment Project. The Council is one of a number of significant funders of the project which will provide an extension of the community hub and broader cultural offer as well as an enhanced education offer following conclusion of the project.

(ii) Hammersmith and Fulham Urban Studies Centre

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The contributions by the Council were £12k in 2015/16. The charity's latest audited accounts available, those relating to 2014/15 show net assets worth £61k, (£64k in 2013/14). A net deficit of £3k has been reported for 2014/15 (net deificit £4k in 2013/14). Copies of the accounts may be obtained from the Company Secretary, Hammersmith and Fulham Urban Studies Centre, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

(iii) Hammersmith & Fulham Bridge Partnership (HFBP)

HFBP is a joint venture between Agilisys (80.1%) and the council (19.9%). Although HFBP has been included in the Group Accounts of the Council as an Associate of the Council in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers. The contract between HFBP and the Council is for ten years and commenced on 1st November 2006. HFBP provides IT services to the Council and provides significant capital investment in a range of projects.

The management accounts for the year 2015/16 showed total net assets of £659k (£481k net assets in 2014/15 audited accounts) with a profit before tax of £176k (loss before tax £209k in 2014/15 audited accounts) of which 19.9% would apply to the Council's Group accounts if these had been prepared. Copies of HFBP accounts may be obtained from HFBP, 2nd Floor, 26-28 Hammersmith Grove, Hammersmith, London, W6 7AW.

(iv) Joint Venture

HFS Developments LLP is a joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 27 March 2014.

39. Contingent Assets and Contingent Liabilities

Contingent Assets

Discounted Market Sale Units

The Council has historically negotiated various Section 106 agreements which deliver affordable housing. These agreements allow the Council to retain an equity share of 30% or more on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 396 units with an estimated valuation of £201m. This represents a potential asset to the Council of £102m based on the its equity share, however, this is subject to market fluctuations. The owners of such properties can request to buy the retained equity share from the Council, such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

Contingent Liabilities

Litigations and claims

The council is involved in a number of litigations and claims that were ongoing as at the 31st March 2016 but their outcome is not yet determined.

	2015/16 £000 (Est)
	4,973
Total Litigations and claims	**4,973**

The council is involved in a number of claims. These cases remain as Contingent Liabilities. If the council is unsuccessful in these claims, then the council may be liable to pay damages, interest and costs. All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

40. Trust Funds

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust:

	2015/16 £000	2014/15 £000
Balance at 1st April	**(5,313)**	**(5,320)**
Income	(679)	(718)
Sub total	**(5,992)**	**(6,038)**
Less:		
Expenditure and Transfers	738	725
Balance at 31 March	**(5,254)**	**(5,313)**

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Account
Housing Revenue Account
Pension Fund Account

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000	2014/15 Business Rates £000	2014/15 Council Tax £000	2014/15 Total £000	Notes
Income							
Council Tax Collectable	-	(77,040)	(77,040)	-	(75,560)	(75,560)	1
Business Rates Collectable	(189,724)	-	(189,724)	(192,085)	-	(192,085)	2
Business Rate Supplement Collectable	(5,822)	-	(5,822)	(6,051)	-	(6,051)	
Transitional Protection Payment	261	-	261	1,301	-	1,301	
Total Income	**(195,285)**	**(77,040)**	**(272,325)**	**(196,835)**	**(75,560)**	**(272,395)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	94,029	-	94,029	88,508	-	88,508	
LB Hammersmith & Fulham	56,417	52,390	108,807	53,105	51,369	104,474	
Greater London Authority	37,611	21,235	58,846	35,403	20,893	56,296	
Business Rate Supplement							
Payment to the Greater London Authority	5,805	-	5,805	6,030	-	6,030	2
Cost of collection	17	-	17	21	-	21	
Charges to Collection Fund							
Write-offs of uncollectable amounts	1,323	1,607	2,930	3,079	9	3,088	
Increase/ (Decrease) in Allowance for Doubtful Debt	1,680	380	2,060	(4,315)	1,689	(2,626)	
Increase/ (Decrease) in Provision for Appeals	(24,449)	-	(24,449)	19,182	-	19,182	
Distribution/(Recovery) of previous year's est surplus/(deficit)	260	2,562	2,822	(17,546)	1,094	(16,452)	
Cost of collection	569	-	569	565	-	565	
Total Expenditure	**173,262**	**78,174**	**251,436**	**184,032**	**75,054**	**259,086**	
Movement on Fund balance	**(22,023)**	**1,134**	**(20,889)**	**(12,803)**	**(506)**	**(13,309)**	
(Surplus)/Deficit as at 1 April	7,266	(4,162)	3,104	20,069	(3,656)	16,413	
(Surplus)/Deficit as at 31 March	**(14,757)**	**(3,028)**	**(17,785)**	**7,266**	**(4,162)**	**3,104**	3

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2015/16 it was calculated as follows:

Band	Number of Dwellings 2015/16	Total after Exemptions, Disregards and Disabled Relief	Ratio to Band D	Band D Equivalent Properties	Adjustments for New Properties, other exemptions etc.	Adjustments for Council Tax Support	Total Band D equivalents 2015/16	Band D equivalents 2014/15
A	3,537	2,902	6/9	1,935	16	(619)	1,332	1,197
B	5,674	4,792	7/9	3,727	(5)	(1,295)	2,427	2,207
C	14,199	11,910	8/9	10,587	(61)	(2,978)	7,548	7,095
D	24,242	21,407	1	21,407	(71)	(3,928)	17,408	16,522
E	14,959	13,625	11/9	16,652	(111)	(2,374)	14,167	13,467
F	8,943	8,223	13/9	11,878	27	(1,121)	10,784	10,259
G	10,669	10,046	15/9	16,743	(54)	(575)	16,114	15,660
H	2,117	2,034	18/9	4,069	(7)	(13)	4,049	3,875
Total	**84,340**	**74,939**		**86,998**	**(266)**	**(12,903)**	**73,829**	**70,282**

The 2015/16 Council Tax Base after allowing for adjustments for non collection was 71,983.
The Council set a 2015/16 Band D charge of £727.81 (a reduction of 1% from 2014/15), the GLA's Band D charge for 2015/16 was £295.00 making a total Band D Council Tax charge for 2015/16 of £1,022.81.

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The council collects non-domestic rates for its area that are based on local rateable values muliplied by a uniform rate (set by the Government). The National Non Domestic Rateable Value at 31 March 2016 was £434.637m (£442.22m as at 31 March 2015). The standard NNDR multiplier for 2015/16 was 49.3 pence (48.2 pence in 2014/15). The Small Business Rate Relief multiplier for 2015/16 was 48.0 pence (47.1 pence in 2014/15).

The Council is responsible for collecting rates due from ratepayers in its area but until 31 March 2013 it paid the proceeds into an NNDR pool administered by the Government. The Government redistributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government (CLG) and the Greater London Authority (GLA).

The council is also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

3. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA or the CLG and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance with the remainder treated as a debtor.

	2015/16			2014/15		
	Business Rates £000	**Council Tax £000**	**Total £000**	**Business Rates £000**	**Council Tax £000**	**Total £000**
London Borough of Hammersmith and Fulham	(4,427)	(2,174)	(6,601)	2,181	(2,960)	(779)
Greater London Authority	(2,951)	(854)	(3,805)	1,453	(1,202)	251
Central Government (CLG)	(7,379)	-	(7,379)	3,632	-	3,632
	(14,757)	**(3,028)**	**(17,785)**	**7,266**	**(4,162)**	**3,104**

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA Income and Expenditure Statement

	Notes	2015/16 £000	2014/15 £000
Income			
Dwelling Rents		(69,706)	(67,257)
Non-dwelling rents		(1,570)	(3,017)
Charges for services and facilities		(10,324)	(10,030)
Contributions towards expenditure		(546)	(415)
Reimbursement of Costs		(19)	(24)
		(82,165)	**(80,743)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		14,056	13,784
Supervision and management		19,202	20,380
Special Services		6,506	7,228
Rents, rates, taxes and other charges		121	289
Depreciation and impairment of non-current assets	7	20,211	18,261
Depreciation and impairment of non-current assets - dwelling revaluation	7	(26,633)	(56,622)
Debt management costs		95	98
Movement in the allowance for bad debts		757	2,250
Revenue Expenditure Funded from Capital Under Statute		-	82
		34,315	**5,750**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure		**(47,850)**	**(74,993)**
HRA services' share of Corporate and Democratic Core		297	297
HRA services' share of Non Distributed Costs		(395)	(216)
Net (Income)/Cost for HRA Services		**(47,948)**	**(74,912)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/loss on sale of HRA non-current assets		(13,379)	(21,266)
Income and expenditure in relation to investment properties and changes in their fair value		(779)	(289)
Interest payable and similar charges		10,490	11,222
Interest and investment income		(484)	(452)
Net interest on the net defined benefit liability (asset)		1,771	1,840
Capital grants and contributions		(972)	(5,417)
Other Operating Income		-	-
(Surplus)/deficit for the year on HRA services		**(51,301)**	**(89,274)**

<u>Movement on the HRA Statement</u>

	Notes	2015/16 £000	2014/15 £000
Balance on the HRA at the end of the previous year		**(13,166)**	**(7,494)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		(51,301)	(89,274)
Adjustments between accounting basis and funding basis under statute	1	37,942	79,790
Net (increase)/decrease before transfers to/(from) reserves		(13,359)	(9,484)
Transfers to/(from) reserves			
Major Repairs Reserve		-	-
Earmarked Reserves*		8,005	3,812
(Increase)/decrease in year on the HRA		**(5,354)**	**(5,672)**
Balance on the HRA at the end of the current year		**(18,520)**	**(13,166)**

* For movements in HRA Earmarked Reserves refer to Note 8 of the Core Financial Statements

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under statute

	2015/16 £000	2014/15 £000
Charges for depreciation of non-dwellings	(294)	(337)
Charges for depreciation of dwellings	19,917	17,923
Reversal of Major Repairs Allowance credited to the HRA	(22,743)	(19,259)
Impairment/Revaluation gains, losses (charged to the I&E)	26,633	56,622
Revenue expenditure funded from capital under statute (REFCUS)	(163)	(82)
Movements in the market value of investment properties	-	-
Capital Funding	3,272	5,530
Gain or loss on sale of HRA non-current assets	13,379	21,266
HRA Self-Financing Resettlement	-	-
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	(86)	(86)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	(34)
HRA share of contributions (to)/from the Pensions Reserve	(1,973)	(1,753)
	37,942	**79,790**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2015/16 was 12,376. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2015	12,407	90	13	12,510
Adjustment to opening balance	-	-	-	-
Additions	17	-	-	17
Sales	(80)	-	-	(80)
Number at 31 March 2016	**12,344**	**90**	**13**	**12,447**

3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	31 March 2016 £000	31 March 2015 £000
Operational Assets		
Housing Dwellings	1,325,459	1,212,866
Other Land and Buildings	10,143	9,596
Vehicles, Plant, Equipment	25	78
Intangible Assets	99	133
Non Operational Assets	-	-
Surplus Assets	871	3,807
Investment Properties	50,474	50,270
	1,387,071	**1,276,750**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2016 was £5.2 billion. This compares to the balance sheet value of £1.33 billion for the Council’s dwelling stock and hostels as at 31 March 2016. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

Notes to the Housing Revenue Account (cont'd)

4. Major Repairs Reserve

This reserve is credited with the depreciation charged to the HRA each year plus an adjustment to ensure the net credit in the year equals the Major Repairs Allowance (which from 2012/13 is a notional calculation). This then functions as an earmarked fund which is used to support capital spending on Council dwellings.

	2015/16 £000	2014/15 £000
Balance as at 1 April	-	(6,669)
Depreciation Charges to HRA	(19,917)	(17,923)
Adjusting transfer from HRA:	-	-
Depreciation on Non-Dwellings	(294)	(338)
Excess/(Shortfall) of Depreciation on Dwellings over MRA	3,120	1,674
Funding of Capital Expenditure	16,685	23,256
Balance as at 31 March	**(406)**	**-**

5. Capital Expenditure Financing

	2015/16 £000	2014/15 £000
Borrowing	-	-
Major Repairs Reserve	16,685	23,256
Other Grants and Contributions	3,370	5,841
Capital Receipts	45,561	27,650
Total	**65,616**	**56,747**

6. Capital Receipts

During the year the following net capital receipts from disposals were received:

	2015/16 £000	2014/15 £000
Dwelling & Hostels	(15,748)	(29,704)
Non-Dwellings	(6,171)	(4,723)
Total	**(21,919)**	**(34,427)**

7. Depreciation and Impairment

The total charge for depreciation and impairment within the council's HRA is shown below:

	2015/16 £000	2014/15 £000
Operational Assets		
Depreciation		
Dwellings	19,917	17,923
Other Land and Buildings	206	208
Vehicles, Plant, Equipment and Intangible Assets	88	130
Revaluation (Gain) / Loss	(26,633)	(56,622)
Impairment	-	-
Total	**(6,422)**	**(38,361)**

8. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2015/16 £000	2014/15 £000
Main Council Stock	6,676	6,471
Hostels	539	501
Total	**7,215**	**6,972**

Allowances for Doubtful Debts at 31 March were:

	2015/16 £000	2014/15 £000
Main Council Stock	(4,954)	(5,068)
Hostels	(519)	(480)
Total	**(5,473)**	**(5,548)**

PENSION FUND ACCOUNTS

Fund Account

	Note	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	6	22,412		21,944	
From Members	6	6,795	29,207	6,658	28,602
Individual Transfers In from other Pension Funds			1,375		1,445
Other Income			35		35
Benefits					
Pensions	7	(29,076)		(28,155)	
Commutation & Lump Sum Retirement Benefits	7	(5,536)	(34,612)	(4,955)	(33,110)
Payments to and on account of leavers					
Individual Transfers Out to other Pension Funds			(3,230)		(856)
Refunds to members leaving service			(16)		(16)
Net Additions (Withdrawals) from dealings with members			**(7,241)**		**(3,900)**
Management expenses	8		**(7,762)**		**(7,216)**
Returns on Investments					
Investment Income	9		12,771		11,422
Taxes on Income (Irrecoverable Withholding Tax)			(140)		(255)
Profit and losses on disposal of investments and changes in value of investments					
Realised	11		129,570		65,392
Unrealised	11		(139,354)		40,203
Net Returns on Investments			**2,847**		**116,762**
Net Increase (Decrease) in the net assets available for benefits during the year			**(12,156)**		**105,646**
Opening Net Assets of the Scheme			**868,475**		**762,829**
Closing Net Assets of the Scheme			**856,319**		**868,475**

Net Assets Statement

	Note	31 March 2016 £000	31 March 2015 £000
Investment Assets			
Index Linked Securities	14	36,771	31,923
Equities	14	136,937	371,885
Pooled Investment Vehicles	14	671,300	443,015
Commodities	14	1,976	2,540
Derivative contracts - forward foreign exchange	14	104	16
Cash Deposits	14	7,544	15,410
Other Investment Balances			
Amounts Outstanding on Sale of Investments	14	278	585
Investment Income Due	14	1,242	1,018
Investment Liabilities			
Derivative contracts - forward foreign exchange	14	(472)	(725)
Amounts Outstanding on Purchase of Investments	14	(16)	(886)
Net Investment Assets	14	**855,664**	**864,781**
Current Assets	20	677	354
Current Liabilities	21	(1,187)	(1,146)
Cash Balances (held directly by Fund)		1,165	4,486
Net assets of the Fund available to fund benefits at the period end		**856,319**	**868,475**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Pension Fund Accounts

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General
The Pension Fund (the "Fund") is part of the Local Government Pension Scheme and is administered by Hammersmith and Fulham Council. It is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average re-valued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1st April 2014 are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from returns on the Fund's investments. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pensions Sub Committee
The Council has delegated the investment arrangements of the scheme to the Audit, Pensions and Standards Committee, who in December 2014 formed a Pensions Sub-committee and delegated all pensions responsibilities to it. The sub-committee decide on the investment strategy most suitable to meet the liabilities of the Fund and have responsibility for the investment strategy. The sub-committee is made up of five elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies and representatives of the Trade Unions may attend the sub-committee meetings but have no voting rights.

The sub-committee reports annually to the Audit, Pensions and Standards Committee and has full delegated authority to make investment decisions. The sub-committee obtains and considers advice from the Strategic Finance Director, and as necessary from the Fund's appointed actuary, investment managers and adviser.

c) Pension Board
In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pensions sub-committee.

d) Investment Principles
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and review from time to time a written statement recording the investment strategy of their Pension Fund. The Statement of Investment Principles was last approved on 17th March 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myner's principles of investment management.

https://www.lbhf.gov.uk/sites/default/files/section_attachments/statement_of_investment_principles_2015_0.pdf

The sub-committee has delegated the management of the Fund's investments to regulated investment managers (see note 10), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

e) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Hammersmith & Fulham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. This category is mainly made up of academies.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The following table is a membership summary of the scheme:

	31 March 2016	31 March 2015
Contributing employees	4,092	4,024
Pensioners receiving benefit	4,628	4,288
Deferred Pensioners	6,504	5,957

Details of the scheduled and admitted bodies are in the Fund's Annual Report.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarises the Fund's transactions for 2015/16 and its position at year-end as at 31st March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA") which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The authority has opted to disclose this information in a note to the accounts (Note 19).

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account - Revenue Recognition

a) Contribution Income

All contributions, both from the members and from the employers, are accounted for on an accruals basis.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Interest income is accrued on a daily basis. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Fund Account - Expense Items

d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management Expenses

The Code does not require a breakdown of management expenses, however disclosure of expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management costs" is provided in the interests of greater transparency.

All expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. Staff costs associated with the running of the Fund are charged to the Fund along with an element of overhead charges.

The sub-committee has appointed external investment managers to manage the investments of the Fund. These managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

Net Assets Statement

(g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by Northern Trust, the Fund's custodian and Pooled Investment Vehicles at the published bid prices or those quoted by their managers.

The values of the investment in Private Equity fund of funds are based on valuations provided by the general partners to the private equity funds. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

There are no significant restrictions affecting the ability of the scheme to realise its investments at the accounting date or at the value at which they are included in the accounts apart from the investments in private equity, the investments in the Partners Multi Asset Credit fund and the Partners Infrastructure fund which, by their nature, will be realised over a long period of time.

h) Derivatives

The only derivatives held by the Fund are forward foreign exchange contracts for the purpose of managing currency risk. The value of forward foreign exchange contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the contract were matched at the year end with an equal and opposite contract.

i) Foreign Currency Transactions

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the reporting date.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions.

k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

m) Additional Voluntary Contributions

Members of the Fund may choose to make additional voluntary contributions (AVCs) into a separate scheme run by Zurich Assurance in order to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVCs are not included within the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. They are disclosed in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

n) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the fund are set out separately in Note 8.

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in the accompanying actuarial report. The estimates of the net liability to pay pensions depends on a number of judgements and assumptions. In particular are those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund’s assets.

The effect of changes in individual assumptions can be measured. A 0.5% increase in the discount rate would result in a decrease in the pension liability of £116.7m. A 0.2% increase in the pay inflation assumption would increase the value of liabilities by £5.4m, and a one-year increase in assumed life expectancy would increase liabilities by £41.0m.

b) Unquoted Investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £8.83m.

The fair value of the Partners multi credit asset fund and the Partners infrastructure is also to some extent subjective. A number of the underlying assets are traded in private markets only and therefore judgements need to be made about value, using factors such as the enterprise value and net debt. The value in the net assets statement is £53.6m.

NOTE 5. EVENTS AFTER THE BALANCE SHEET

The result of the referendum on EU membership held on 23rd June 2016 was in favour of the UK to leave the EU. The long term financial impacts of “Brexit” cannot, as yet, be easily ascertained, however given that this condition did not exist at the balance sheet date, any such impacts insofar as they could be ascertained, constitute a non-adjusting event. In the shorter term, at 31st July 2016, the market value of the investments of the Fund had increased to approximately £917.3 million due to the rise in global stock markets since the date of the balance sheet.

NOTE 6. CONTRIBUTIONS RECEIVABLE

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions.

	Employers' Contributions Normal		Employers' Contributions Deficit Recovery		Employees' Contributions	
	2015/16 £000	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**
Administering Authority	9,676	9,525	8,101	8,101	5,249	5,120
Scheduled Bodies	1,310	1,114	742	590	643	539
Admitted Bodies*	2,478	2,561	105	53	903	999
Total	**13,464**	**13,200**	**8,948**	**8,744**	**6,795**	**6,658**

* Deficit Recovery Contributions includes augmentation contributions of £51k

NOTE 7. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2015/16 £000	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**	**2014/15 £000**
Administering Authority	(27,850)	(27,344)	(4,565)	(3,885)	(641)	(295)
Scheduled Bodies	(142)	(81)	(14)	(100)	-	-
Admitted Bodies	(1,084)	(730)	(124)	(480)	(192)	(195)
Total	**(29,076)**	**(28,155)**	**(4,703)**	**(4,465)**	**(833)**	**(490)**

NOTE 8. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2015/16 £000	**2014/15 £000**
Administrative costs	(606)	(471)
Investment management expenses	(6,888)	(6,434)
Oversight and governance costs	(268)	(311)
	(7,762)	**(7,216)**

The table below provides a breakdown of the Investment Management Expenses.

	2015/16 £000	**2014/15 £000**
Management fees	(4,774)	(4,216)
Performance fees	(1,646)	(1,687)
Transaction costs*	(395)	(432)
Custody fees	(73)	(99)
	(6,888)	**(6,434)**

*Transaction costs incurred on segregated assets only

NOTE 9. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2015/16 £000	2014/15 £000
Dividends from Equities	10,079	11,001
Income from Index-Linked Securities	1,327	248
Interest on Cash Deposits	55	63
Private Equity/Other	1,310	110
Total	**12,771**	**11,422**

NOTE 10. INVESTMENT STRATEGY

In March 2015 the Pensions sub-committee agreed a revised investment strategy and Statement of Investment Principles. The changes from the previous strategy were implemented during 2015-16. The portfolios with Majedie (UK equities) and Ruffer (absolute return) have not changed.

The liability matching portfolio previously held with Legal & General Investment Management (LGIM) was replaced by two multi asset credit portfolios with Partners Group and Oak Hill, an inflation opportunities investment with M&G and a long lease property fund with Standard Life in the early part of the year.

The management of the Fund's absolute return bonds portfolio was changed from Goldman Sachs to Insight in October 2015. The MFS active overseas equity portfolio was replaced with a passive equity portfolio managed by LGIM in November 2015.

In August 2015 a commitment was made to the Partners Group Direct Infrastructure fund and this is being funded over time from the cash held in the Legal and General sterling liquidity fund.

The private equity commitments were made some years ago and the funds are now in the distributing phase.

As shareholders of London LGPS CIV Ltd. (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. It is anticipated that some of the Fund's existing investment portfolios will be transferred into the London Collective Investment Vehicle during 2016/17.

The market value and proportion of the investments managed by each fund manager at 31st March was as follows:

	31 March 2016		31 March 2015	
	Market £000	Total %	Market £000	Total %
Majedie Asset Management	215,374	25.17	226,483	26.2
MFS International (UK) Ltd	319	0.04	222,849	25.8
LGIM Passive equities	207,706	24.27	-	0.0
Ruffer LLP	89,898	10.51	91,159	10.5
Goldman Sachs Asset Management	-	0.00	64,126	7.4
Insight	64,848	7.58	-	0.0
LGIM LDI bespoke	-	0.00	132,187	15.3
LGIM Liquidity fund	41,451	4.84	80,036	9.3
Partners Group MAC fund	52,178	6.10	37,600	4.3
Partners Group Infrastructure fund	1,439	0.17	-	0.0
Oak Hill Advisers	47,555	5.56	-	0.0
M & G	81,552	9.53	-	0.0
Standard Life	43,925	5.13	-	0.0
Invesco Private Equity	5,728	0.67	6,251	0.7
Unigestion Private Equity	3,541	0.41	4,090	0.5
London LGPS CIV Ltd	150	0.02	-	0.0
	855,664	**100.0**	**864,781**	**100.0**

The sub-committee has appointed Northern Trust as global custodian for the Fund. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions. Northern Trust has a long term credit rating of AA with the Fitch ratings agency, AA- with S&P and Aa2 with Moody’s. The bank account for the Pension Fund is held with Nat West.

NOTE 11. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by fund manager during 2015/16:

Fund Manager	**Value at 1 April 2015** £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	**Value at 31 March 2016** £000
Majedie Asset Management	223,849	43,581	(37,883)	(17,497)	**212,050**
MFS International (UK) Ltd	220,739	60,220	(271,808)	(9,151)	**-**
Ruffer LLP	80,345	254,864	(248,027)	(2,137)	**85,045**
Goldman Sachs Asset Mngt	64,126	-	(64,781)	655	**-**
Insight Investment	-	64,617	-	231	**64,848**
Legal & General Inv Mngt	132,185	197,095	(131,042)	9,367	**207,605**
Legal & General Inv Mngt Liquidity Fund	80,036	58,255	(97,000)	160	**41,451**
Partners Group Multi Asset Credit	37,500	12,143	(27)	2,555	**52,171**
Partners Group Infrastructure	-	1,533	(214)	120	**1,439**
Oak Hill Advisers	-	50,000	(286)	(2,159)	**47,555**
M & G Investments	-	79,341	-	2,211	**81,552**
Standard Life	-	39,777	-	4,148	**43,925**
Invesco Private Equity	5,798	17	(1,425)	911	**5,301**
Unigestion Private Equity	4,076	85	(1,544)	907	**3,524**
London CIV	-	150	-	-	**150**
Sub-total	**848,654**	**861,678**	**(854,037)**	**(9,679)**	**846,616**
Cash Deposits	15,410			(108)	**7,544**
Other Investment Balances					
Investment Income due	1,018				**1,242**
Pending trade purchases	(886)			1	**(16)**
Pending trade sales	585			2	**278**
Totals	**864,781**	**861,678**	**(854,037)**	**(9,784)**	**855,664**

The equivalent analysis for 2014/15 is provided below:

Fund Manager	Value at 1 April 2014 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2015 £000
Majedie Asset Management	202,701	61,217	(53,425)	13,356	**223,849**
MFS International (UK) Ltd	180,084	68,197	(65,378)	37,836	**220,739**
Baring Asset Management	125,250	62	(129,091)	3,779	**-**
Ruffer LLP	71,965	234,850	(235,285)	8,815	**80,345**
Goldman Sachs Asset Mngt	65,230	-	(16)	(1,088)	**64,126**
Legal & General Inv Mngt LDI	92,584	-	-	39,601	**132,185**
Legal & General Inv Mngt Liquidity Fund	-	120,675	(40,940)	301	**80,036**
Partners Group	-	37,500	(379)	379	**37,500**
Invesco Private Equity	6,024	-	(2,496)	2,270	**5,798**
Unigestion Private Equity	5,160	240	(1,672)	348	**4,076**
Sub-total	**748,998**	**522,741**	**(528,682)**	**105,597**	**848,654**
Cash Deposits	17,027			5	**15,410**
Other Investment Balances					
Investment Income due	752				**1,018**
Pending trade purchases	(2,425)			(8)	**(886)**
Pending trade sales	542			1	**585**
TOTAL	**764,894**	**522,741**	**(528,682)**	**105,595**	**864,781**

NOTE 12. INVESTMENTS EXCEEDING 5% OF NET ASSETS

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	2015/16 £000	2015/16 %	2014/15 £000	2014/15 %
Legal & General World ex UK Dev equity index fund	192,377	22.5	-	-
M & G Inflation Opportunities Fund V	81,552	9.5	-	-
Majedie UK Focus Fund	75,196	8.8	78,309	9.0
Insight Investment Bonds Plus Fund	64,848	7.6	-	-
Partners Group Multi Asset Credit 2014 Fund	52,071	6.1	-	-
Oak Hill Advisers Diversified Credit Strategies Fund	47,555	5.6	-	-
Standard Life Long Lease Property Fund	43,925	5.1	-	-
Legal & General Sterling Liquidity Fund	41,451	4.8	80,036	9.2
Goldman Sachs Libor plus 1 Fund	-	0.0	64,126	7.4
Legal & General LDI Bespoke Fund	-	0.0	132,185	15.2

NOTE 13. ANALYSIS OF DERIVATIVES

The Pension Fund investment managers use forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies. This is in line with their investment management agreements with the Fund. The Fund held no other types of derivative at 31 March 2016 or 31 March 2015.

Open forward foreign exchange contracts at 31 March 2016

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
Up to one month	GBP	7,532	JPY	(1,292,600)		(472)
One to three months	GBP	24,878	USD	(35,611)	104	
					104	(472)
Net forward foreign exchange contracts at 31 March 2016						**(368)**
Open forward foreign exchange contracts at 31 March 2015					16	(725)
Net forward foreign exchange contracts at 31 March 2015						**(709)**

NOTE 14a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

	31st March 2016			31st March 2015		
	Designated at fair value through profit & loss	Loans and receivables	Financial Liabilities at amortised cost	Designated at fair value through profit & loss	Loans and receivables	Financial Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Index Linked Securities						
UK Public Sector	17,115			16,685		
Overseas Public Sector	19,656			15,238		
Equities						
UK	95,736			101,250		
UK unquoted	150					
Overseas	41,051			270,635		
Pooled Investment Vehicles						
Global Passive Funds	207,604			-		
UK Equity Funds	102,685			105,563		
LDI Bespoke Funds	-			132,185		
Absolute Return Bond Funds	64,848			64,126		
Multi Asset Credit Funds	47,555			-		
Multi Asset Credit Funds (unquoted)	52,170			37,500		
Sterling Liquidity Funds	41,451			80,036		
Inflation Opportunity Funds	81,552			-		
Property Funds	43,925			-		
Private Equity (unquoted)	8,826			9,874		
Infrastructure Funds (unquoted)	1,439			-		
Other Managed Funds	19,245			13,731		
Commodities	1,976			2,540		
Derivative contracts - forward foreign exchange	104			16		
Investment Income due	1,242			1,603		
Pending Trade Sales	278					
Cash deposits with managers		7,544			15,410	
Debtors		677			354	
Cash Balances		1,165			4,486	
	848,608	9,386	-	850,982	20,250	-
FINANCIAL LIABILITIES						
Derivative contracts - forward foreign exchange	(472)			(725)		
Pending Trade Purchases	(16)			(886)		
Creditors			(1,187)			(1,146)
	(488)	-	(1,187)	(1,611)	-	(1,146)
GRAND TOTALS	**848,120**	**9,386**	**(1,187)**	**849,371**	**20,250**	**(1,146)**
			856,319			**868,475**

The carrying value is the same as the fair value for all financial instruments held by the Fund.

NOTE 14b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	2015/16 £000	2014/15 £000
Financial Assets		
Designated at fair value through profit and loss	(6,146)	107,050
Loans and receivables	(108)	5
Financial Liabilities		
Designated at fair value through profit and loss	(3,530)	(1,460)
Financial Liabilities at amortised cost		-
	(9,784)	**105,595**

NOTE 14c. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below and the table showing the analysis is below.

Level 1 – Quoted market price
Fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Using observable inputs
Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

Level 3 – With significant unobservable inputs
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi credit asset and the infrastructure funds are closed ended and therefore not tradeable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31st March 2016			31st March 2015		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1 £000	Level 2 £000	Level 3 £000	Level 1 £000	Level 2 £000	Level 3 £000
Financial Assets						
Designated at fair value through profit and loss	603,084	174,823	70,701	667,694	132,202	51,085
Loans and receivables	9,386	-	-	20,251	-	-
Total Financial Assets	**612,470**	**174,823**	**70,701**	**687,945**	**132,202**	**51,085**
Financial Liabilities						
Designated at fair value through profit and loss	(16)	(472)	-	(886)	(725)	-
Financial Liabilities at amortised c	(1,187)	-	-	(1,146)	-	-
Total Financial Liabilities	**(1,203)**	**(472)**	**-**	**(2,032)**	**(725)**	**-**
Net Financial Assets	**611,267**	**174,351**	**70,701**	**685,913**	**131,477**	**51,085**
			856,319			**868,475**

NOTE 15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields.

The sub-committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk

In order to meet the Fund's objective of being fully funded within 22 years of the 2013 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The Fund's assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pensions sub-committee and is reviewed on a regular basis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets with the exception of cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

<u>Assets exposed to price risk</u>

	Value £000	+ 10% £000	- 10% £000
At 31st March 2016	846,835	931,518	762,151
At 31st March 2015	849,361	934,298	764,425

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1% higher or 1% lower.

<u>Assets exposed to interest rate risk</u>

	Value £000	+ 1% £000	- 1% £000
At 31st March 2016	300,436	303,440	297,432
At 31st March 2015	365,666	369,323	362,010

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non sterling transactions. In addition several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

Overseas equities, overseas index linked securities, cash in foreign currencies, the value of the forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if currencies had been 10% higher or 10% lower.

Assets exposed to currency risk

	Value £000	+ 10% £000	- 10% £000
At 31st March 2016	252,627	277,890	227,365
At 31st March 2015	353,251	388,577	317,926

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and also cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 12.4% of the Fund's Net Assets at 31st March 2016 (5.5% at 31st March 2015).The remaining investments can be liquidated within a matter of days.

Manager	Portfolio	Value at 31 March 2016 £000	Value at 31 March 2015 £000
Partners Group	Multi Asset Credit	52,171	37,500
Partners Group	Infrastructure	1,439	-
Standard Life	Property	43,925	-
Invesco	Private Equity	5,302	5,798
Unigestion	Private Equity	3,525	4,076
		106,362	47,374

NOTE 16. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31st March 2016 £000	31st March 2015 £000
Invesco Partnership Fund V L.P.	1,212	1,173
Unicapital Investments V	46	42
Partners Group Multi Asset Credit Fund 2014	-	12,500
Partners Group Direct Infrastructure Fund 2015	41,844	-
Standard Life Long Lease Property Fund	-	40,000
	43,102	**53,715**

The outstanding commitments for Invesco and Unicapital are expected to be paid over the next two years. The Partners infrastructure commitment is expected to be paid by December 2020.

NOTE 17. STOCK LENDING AGREEMENTS

The Fund did not participate in stock lending or underwriting.

NOTE 18. FUNDING ARRANGEMENTS

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28th March 2014 and this is available on the Council's website at the link below. This valuation set the employer contribution rates from 1st April 2014.
https://www.lbhf.gov.uk/sites/default/files/section_attachments/actuarial_valuation_report_2013.pdf

The 2013 valuation certified a common contribution rate of 21.9% of pensionable pay to be paid by each employing body participating in the Fund, based on a funding level of 83%. In addition, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £716m and the actuary assessed the present value of the funded obligation at £863m indicating a net liability of £147m.

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:
i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.
ii. Future rises in pensionable pay due to inflation and pension increases.
iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.
iv. Progression of pensionable pay due to promotion.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31st March 2016 and will be published in 2017.

NOTE 19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31st March 2016. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers the actuary adopted methods and assumptions that are consistent with IAS19.

	31st March 2016 £000	31st March 2015 £000
Present Value of Promised Retirement Benefits*	1,357,358	1,409,558
Fair Value of Scheme Assets (bid value)	(856,319)	(868,475)
Net Liability	501,039	541,083

*Present Value of Promised Retirement Benefits comprises of £1,311,744k (£1,271,900k at 31 March 2015) and £45,614k (£137,658k at 31 March 2015) in respect of vested benefits and non-vested benefits respectively as at 31 March 2016.

The assumptions applied by the actuary are set out below:

Financial Assumptions

	31st March 2016	31st March 2015
RPI Increases	3.3%	3.2%
CPI Increases	2.4%	2.4%
Salary increases	4.2%	4.2%
Pension increases	2.4%	2.4%
Discount Rate	3.7%	3.3%

Demographic Assumptions

The post mortality tables adopted are the S1PA tables. The base tables are projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% p.a. The assumed life expectancies from age 65 are:

Life Expectancy from age 65		31st March 2016	31st March 2015
Retiring today	Males	22.9	22.8
	Females	25.3	25.2
Retiring in 20 years	Males	25.2	25.1
	Females	27.7	27.6

Other Assumptions:

Members will exchange half of their commutable pension for cash at retirement

Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age

5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

NOTE 20. CURRENT ASSETS

Debtors	31st March 2016 £000	31st March 2015 £000
Contributions due - employers	337	195
Contributions due - employees	105	71
London Borough of Hammersmith and Fulham	174	88
Sundry debtors	61	-
	677	**354**

Analysis of debtors	31st March 2016 £000	31st March 2015 £000
Local authorities	211	88
Other entities and individuals	466	266
	677	**354**

NOTE 21. CURRENT LIABILITIES

Creditors	31st March 2016 £000	31st March 2015 £000
Unpaid Benefits	(80)	(8)
Management Expenses	(598)	(796)
HM Revenue and Customs	(476)	(342)
Sundry creditors	(33)	-
	(1,187)	**(1,146)**

Analysis of creditors	31st March 2016 £000	31st March 2015 £000
Local authorities	(162)	-
Central government bodies	(476)	(342)
Other entities and individuals	(549)	(804)
	(1,187)	**(1,146)**

NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

	2015/16	2014/15
Zurich Assurance		
Market Value at 31st March	£1,134,250	£1,117,844
Contributions during the year	£33,101	£36,590
Number of members at 31st March	48	50
Equitable Life Assurance		
Market Value at 31st March	£192,259	£187,842
Contributions during the year	£0	£66
Number of members at 31st March	32	32

In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 23. RELATED PARTIES

London Borough of Hammersmith and Fulham

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £412,812 in 2015/16 (£428,198 in 2014/15) in relation to the administration of the Fund and was reimbursed by the Fund for the expenses.

In the year the Council contributed £17,777k in employer contributions to the Fund (2014/15 £17,626k).

As a result of the day to day administration, at 31st March 2016 the Council owed the Pension Fund a net amount of £174,042 (£88,399 at 31st March 2015). In addition £36,669 was owed by a Council maintained school in respect of March 2016 contributions.

Governance Arrangements

One member of the Pensions sub-committee is a deferred member of the Hammersmith and Fulham Pension Fund. Members of the sub-committee are required to make a declaration of interests at the beginning of each meeting.

Key management personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members’ allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015) satisfy the key management personnel disclosure requirements of IAS24. This applies in equal measure to the accounts of the Hammersmith and Fulham Pension Fund.

The disclosures required by the legislation can be found in the main accounts of the London Borough of Hammersmith and Fulham.

NOTE 24. AGENCY SERVICES

The Hammersmith and Fulham Pension Fund pays discretionary awards to the former employees of London Borough of Hammersmith and Fulham council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the council. The gross sum paid out is disclosed below. At the balance sheet date the March 2016 reimbursement was outstanding. This amounted to £200k and is included in Note 23 Related Parties.

	2015/16 £000	2014/15 £000
Payments on behalf of London Borough of Hammersmith and Fulham	2,433	-
	2,433	**-**

ANNUAL GOVERNANCE STATEMENT 2015 – 2016

Scope of responsibility

The London Borough of Hammersmith and Fulham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code can be obtained from governance services. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 10(b), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems, processes and structures by which the Council is directed and controlled. These include those required to enable the Council to engage with, account to and lead the communities it serves. The framework enables the Council to set the right objectives and manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and, amongst other things, is designed to manage risk to a reasonable level. The system of internal control cannot eliminate all risk of failure to comply with policies or the achievement of aims and objectives and can only provide reasonable rather than absolute assurance of effectiveness. The system includes processes to identify:

- the risks to the achievement of the Council's aims and objectives
- the likelihood of the risks crystallising
- how to manage the risks appropriately, given the agreed objectives.

The Council has structures, systems, processes and supporting arrangements in place to ensure that the key governance framework elements are complied with. Whilst the Shared Service programme and contract arrangements have resulted in the Council's control environment being, to a degree, dependent on those organisations' systems, procedures and controls, the Council's formal arrangement for the management of performance, finance, programmes and contracts contributes to the upholding of key elements of governance arrangements within these delivery vehicles.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of statement of accounts.

Review of effectiveness

The London Borough of Hammersmith and Fulham has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the chief officers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

How we ensure our arrangements are working

To monitor the effectiveness of the Council's corporate governance systems, a review is undertaken each year of the governance framework, the basis of which is shown in the diagram below.

Sources of Assurances Required

Corporate Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement standing orders)
- Audit Pensions and Standards Committee
- Internal and external audit
- Independent external sources
- Scrutiny function
- Council, Cabinet and Policy and Accountability Committees
- Medium Term Financial Strategy and Smarter Budgeting
- Complaints system
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct

Management Team

- The role of Chief Officers
- Delivery of Council's aims and objectives
- Corporate Planning
- Delivery, Financial, Service Improvement and Commissioning Plans
- Officer codes of conduct
- Performance appraisal
- The role of the Chief Financial Officer
- The role of the Head of Internal Audit
- Roles and responsibilities of Members and Officers
- Timely production of a Statement of accounts
- External and Internal audit reports recommendations
- Review of Corporate Governance

Services are delivered economically, efficiently & effectively

- Management of risk
- Effectiveness of internal controls
- Democratic engagement and public accountability
- Budget and financial management arrangements
- Standards of conduct and behaviour
- Compliance with laws and regulations, internal policies and procedures
- Action plans dealing with significant issues are approved, actioned and reported on
- Local Government Ombudsman reports
- Electoral Commission report
- Policy and Accountability reviews
- Effectiveness reviews of Audit Pensions and Standards Committee and Scrutiny Committees, Internal Audit
- Employee performance
- Compliance with Procurement Regulations
- Stakeholder engagement
- Evaluation of benefits gained from investments and projects

Audit Pensions and Standards Committee Key Audit Business

The following diagram provides a summary of information on the areas that the Committee has considered:

February 2015

- Consideration of the External Auditors Annual Plan 2014-2015.
- Approval of the Anti-Fraud report 2014-2015.
- Risk Management quarterly review.
- Internal Audit Plans 2015-2016.
- Internal Audit quarterly progress review.
- Treasury Management activity report.

June 2015

- External Audit Plan 2014-2015.
- Treasury Management Outturn report 2014-2015.
- Internal Audit Charter and Strategy.
- Fulham Palace Trust
- Head of Internal Audit annual report 2014-2015.
- Internal Audit quarterly report.
- Corporate Anti-Fraud Service annual report.
- Childrens Services Risk Register report.
- Risk Management quarterly review.
- Managed Services Risk report.

September 2015

- Statement of Accounts 2014-2015.
- Annual Governance Statement 2014-2015.
- Corporate Safety annual report.
- Approval of the Anti-Fraud report.
- Internal Audit quarterly report.
- Risk Management quarterly review.
- Internal Audit Limited Assurances report.
- Managed Services Programme update.

December 2015

- Treasury Management Mid-Year review.
- Riverside Studios and Queens Wharf Developments.
- Annual Audit Letter 2014-2015.
- Corporate Anti-Fraud Service report.
- External Audit and Annual Governance Statement Recommendations and Action Plan report.
- Internal Audit quarterly report.
- Risk Management quarterly review.

January 2016

- Special meeting of the Audit, Pensions and Standards Committee to discuss the Managed Services Programme.
- Managed Services Lessons Learned review.
- LBHF comments on the Lessons Learned review.
- Managed Services Outstanding Audit Recommendations report.
- Managed Services Gate Exit report.
- internal Audit Managed Services report.
- Annual Governance Statement, Managed Services Action Plan.

The systems and processes that comprise the Council's governance arrangements have been evaluated for effectiveness for 2015/2016 and include:

Stakeholder Engagement and Business Planning; the Council and its partners have comprehensive arrangements for identifying and prioritising stakeholders' needs. The Council's Strategy, Annual Budget and Medium Term Financial Strategy were robustly developed through a series of challenge events and public budget consultation exercises, including review by the Policy and Accountability Committees. A Delivery Plan for 2015/16 was developed and this is the culmination of the Council's strategic delivery targets and actions. The plan is monitored monthly at the chief officers' Business Board chaired by the Chief Executive and this plan forms the basis for the production of Directorate / Service Plans, following similar reviews of their performance and identification and prioritisation of their statutory duties and stakeholder needs. The above arrangements are subject to ongoing, monthly and annual review and refinement by, amongst others, the Business Board whilst the Director of Delivery and Value monitors progress against strategic priorities.

Performance, Finance and Risk Management; the Council has established arrangements for the management of its objectives and for ensuring that they represent the best use of resources and value for money. The arrangements see the Business Board and Cabinet Members at the Cabinet Members Briefing Board receiving a regular quarterly report. This report, together with associated management arrangements, enables management to review data on Delivery Plan progress against the agreed performance objectives of the Council, as well as data on the corporate improvement programme, establishment management arrangements and corporate risks.

Resident Led Commissions; Over the course of the past year the Council has set up five resident-led commissions to help to inform policy and practice. The Heathrow Commission informed the Council's response to the Davies Commission's consultation on airport expansion. The Commission on the Future of Council Housing in the borough has informed the Council's development of alternative management models for possible stock transfers. The Air Quality Commission is looking into the problem of air pollution across the borough and will report to the Council later in 2016. The Poverty and Worklessness Commission is examining ways to tackle unemployment and deprivation and a new Business Commission is now being set up that will inform economic development policies for the borough.

Smarter Budgeting; the council has agreed an outcomes transformation programme which builds on zero-based budgeting methodology. Smarter Budgeting seeks to replace the percentage cuts approach to budgeting with an innovation-led approach to the design and delivery of potentially new activities and services which best deliver strategic outcomes.

The outcomes are Economic Growth; Children; Residents; Decent Homes; Reducing Homelessness; Supporting Vulnerable Adults; Safer and Healthier Place; Sustainable Borough and purposefully do not follow departmental boundaries. In this way substantial savings across the council can be achieved by rooting out duplication, and ceasing activities that are no longer resident/customer–responsive or present good value for money. Each outcome has a cross-functional team, supported by a corporate Smarter Budgeting programme team, Finance and Innovation & Change Management. The Smarter Budgeting programme is led by the Director of Delivery & Value and the Chief Executive and Strategic Finance Director are active on the governing Programme Board. The Cabinet Member for Finance meets fortnightly to scrutinise progress.

It is anticipated that Smarter Budgeting will significantly shape spend and activities from 2017/18 in order to directly deliver on the eight outcomes.

Risk Management; Performance reporting and risk management arrangements, consistent with those established by the Management Board, are also required in Directorates and Services. Annual reviews of risk management arrangements are undertaken at the Council. An internal audit review was undertaken in Mayy 2016 to provide assurance to the Council's Section 151 Officer on the appropriateness and adequacy of the Council's risk management arrangements and to conclude on their effectiveness on identifying and managing the risks facing the organisation. The review concluded that reasonable assurance can be placed on the appropriateness and adequacy of these arrangements. A minor number of recommendations were made to improve the process which were all fully implemented by the Council's Risk Manager.

The Council acknowledges that risk management is a central part of strategic management. The Council's highest strategic risks (medium and long term) as identified by Services are reported to the Audit Pensions and Standards Committee on a quarterly basis, including the status of any action taken to manage identified risks.

Staff Improvement Framework; a culture of continuous improvement is being embedded to drive down costs especially those associated with managing failure and repeat enquiries and consider more cost effective preventative activities. The staff improvement framework seeks to establish a series of initiatives and development programmes aimed at staff.

Control Systems and Environment; the Council's Internal Audit Service carries out a comprehensive programme of review activity consistent with the Audit Strategy and the Public Sector Internal Audit Standards. The work is based around the core risks faced by the Council and includes significant work on the main financial and information management systems, corporate programmes, partnerships and Shared Services assurance. Based upon the programme of work for 2015/16, the Director of Audit's opinion on the Council's control environment, governance arrangements and risk management arrangements is that they are reasonable but with a need for further improvement.

Information Management; the Council has continued to maintain its information governance arrangements and capabilities. Information governance policies and standards are in place, which, if complied with by officers and Members, provide the Corporate Leadership Team and Information Governance Board with the necessary assurance about the security of the Council's information assets and data handling procedures. The Senior Information Risk Owner (SIRO) is ultimately accountable for the assurance of information security at the Council. A Caldicott Guardian is responsible for ensuring that health and social care information is managed appropriately, and that our annual Information Governance Toolkit submission meets the required levels of compliance The Information team, as part of its day to day role, continues to monitor risks to information assets and manage the Council's overall approach to information governance in order to ensure that information management and security standards within the Council are maintained to a high standard.

Director and Functional Assurance; Directors have completed statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the Directors' responsibilities for both the management of risk and the effectiveness of controls.

Directors with functional responsibility for core risk areas were also required to review and report independently on the effectiveness of the core management systems in each Service. The statements received in this regard indicated that overall the management systems were viewed as effective or very effective, albeit Procurement and Contract Management and their supporting Information Systems identified as an area requiring improvement.

Partnership Governance Arrangements; an important part of the Council's arrangements for delivering services, programmes and projects is through working in partnership but at all times maintaining sovereignty of all decisions. In some cases working in partnership means collaborating with other Councils under Shared Services arrangements. Responsibility for monitoring the effectiveness of such partnerships in which the Council is involved now rests with the relevant Directorate through Section 113 agreements permissible under the Local Government Act. Section 113 allows a local authority to enter into an agreement with another authority to place its officers at the disposal of the other authority. A review of these arrangements began in 2015/16 to ensure that partnership objectives are aligned to the Council's business objectives and are managed in line with agreed corporate arrangements.

Anti-Fraud and Corruption; the Council has established arrangements for managing the risk of fraud and corruption and conducting investigations into specific concerns. The Audit and Transparency Committee receives regular updates on the Council's anti-fraud and corruption arrangements, including how it is responding to emerging fraud risks.

External Audit and Inspection; learning outcomes of these reviews are actively shared across the organisation to ensure that common areas for improvement are identified and best practice shared. External Auditors carry out a programme of reviews based upon statutory requirements. Published in 2015/16 were the Annual Audit Letter, the Value for Money Opinion, both of which were unqualified, and the certification of grant claims and returns. A review of the Council's arrangements for securing financial resilience (September 2015) concluded that good arrangements were in place in respect of financial strategic planning, governance and financial control.

Local Code of Corporate Governance; the Council has in place a Local Code of Corporate Governance. The Code identifies the principles of good governance and transparency to which the Council subscribes and identifies the structures, systems and processes that the Council has established to ensure that it achieves good governance in practice. Key documents forming the governance framework are also documented.

Role of the Cabinet (Executive); there was an informed restructuring of the Council's governance arrangements during 2014, aimed at enhancing accountability and transparency as sought by the Administration. The arrangements saw the retention of the Leader and Cabinet model but with a scrutiny function operating through five Policy and Accountability Committees. These Committees are committees of the Council rather than the Cabinet but they are aligned to the Cabinet Portfolios and permit a large number of non-executive Members to participate in scrutinising Cabinet business, external organisations such as the NHS and engaging in Policy Development.

As part of the Council's commitment to public engagement and working with residents in the developing policy development and strengthening the council's decision-making process, in June 2014, five Policy and Accountability Committee (PAC) were established. The PACs work hand-in-hand with residents to shape the future of the borough.

Role of the Policy and Accountability Committees (Scrutiny); At Hammersmith & Fulham, there were five main scrutiny committees during 2015/16:

- Children and Education Policy and Accountability Committee
- Community Safety, Environment and Residents Services Policy and Accountability Committee
- Economic Regeneration, Housing and the Arts Policy and Accountability Committee
- Finance & Delivery Policy & Accountability Committee
- Health, Adult Social Care and Social Inclusion Policy and Accountability Committee

The Committees had cross cutting remits designed to reflect the Council's key priorities and objectives. They each comprised five elected non-executive Members. Committees were also able to co-opt members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Education and Children's Services PAC are entitled to vote on education matters.

Each Committee received the list of Key Decisions (a rolling list of key decisions which the Cabinet planned to take in the coming months) at every meeting, which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input.

Policy and Accountability Committees also had a wider role in policy development, originating topics of interest and feeding views back to the Cabinet and individual Cabinet Members, Officers, external partners and service providers.

There is more information about scrutiny in Hammersmith & Fulham at www.lbhf.gov.uk/scrutiny

Role of the Chief Financial Officer; CIPFA guidance indicates that the Council's Chief Financial Officer (currently the Strategic Finance Director) should contribute to the effective leadership and corporate management of the authority, supporting effective governance through the development of corporate governance arrangements and corporate decision-making, leading and promoting change programmes and leading the development of the medium term financial strategy and annual budgeting processes.

A review of the role of the Council's Chief Financial Officer by Internal Audit (May 2015) concluded that the objectives identified by CIPFA were being achieved and that there were no issues in relation to the role. This is also consistent with the experience of his line management of working with the Chief Executive on major issues and initiatives across the year and often in difficult circumstances.

Role of the Audit Committee; the Council's Audit Pensions and Standards Committee has a standing brief to review the effectiveness of the Authority's risk management arrangements, internal control environment and associated anti-fraud and corruption arrangements. The Committee does this through, amongst other things, overseeing the work of Internal Audit and External Audit.

A review of the effectiveness of the system of internal audit (Audit Committee June 2015) identified that the Audit Committee was meeting the standards expected of it, albeit some minor areas for improvement were identified.

Conclusion on the review

We have been advised of the results and implications of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

Funding reductions

Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. Funding reduced by £18m in 2015/16 (to £57.6m) and is forecast to further reduce by £33.6m from 2015/16 to 2019/20. Based on the Local Government Finance Settlement the 2016/17 grant reduction is £8.2m. In addition, Government has imposed £3.4m of new responsibilities on LBHF without providing any funding. As part of the Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF's spending power. The Government also included an assumed further 1.75% increase in council tax in LBHF's spending power projection, meaning a total council tax increase of 3.75% is assumed in the spending power projection. The Council's administration does not wish to apply any tax increase to residents, so it does not form part of the 2016/17 budget proposals.

In the context of this, the Council will continue to prioritise and endeavour to maintain strong governance arrangements, focusing on the purpose of the Council and on outcomes for the community, engaging with stakeholders, and promoting values for the authority whilst demonstrating the values of good governance through upholding high standards of conduct and behaviour. Further to this, proactive risk management arrangements will be enhanced to support the delivery of the Council's key objectives.

Contract Management and Procurement

Contract management arrangements had been developing into a "tri-borough" service with significant procurements undertaken such as the SEN childrens' transport contract and the Managed Services Programme (both procured prior to 2015/16).

In order to strengthen both procurement and contract management, the Council appointed a new Commercial Director in December of 2015, with extensive experience in both the public and private sectors. Following an initial review, Council Standing Orders have been changed to improve visibility and oversight of procurement projects by requiring Cabinet sign off of procurement strategies for any project with a value greater than £100,000. A further review of procurement is underway, to better define the boundaries and interfaces between the corporate procurement function and related activities devolved to service departments.

In terms of contract management, a maturity assessment of existing contract management capability has been initiated. The results will allow the Council to compare itself against prevailing best practice across all sectors on an international basis. A cohort of approximately 30 staff are undergoing formal commercial and contract management training that will lead to a recognised qualification from the International Association of Commercial and Contract Management.

BT Managed Services Contract Delivery

The Managed Services Programme was procured by Westminster City Council in 2013 to provide transactional Human Resources, including payroll, finance services and a Shared Service help desk for the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster Councils. The programme overran its original delivery date of 1 April 2014 and went live on 16 March 2015 with a further programme of staged implementation originally extending to 30 April 2015 that has continued to be extended since. Overall, the programme work plans were reviewed by the Programme post go-live and this established key deliverables with revised due dates. These plans and the target date for to achieve a steady state, have slipped and a more recent review of plans has re-set due dates which now stretch through to June 2016.

The Council has recognised through its Audit Committee and Contract management arrangements that the contract with BT has had significant issues. During the year, the Council discontinued the use of Westminster City Council's Chief Executive as the SRO for the contract with BT and appointed the Council's Chief Executive as its SRO for the contract with BT. Officers and members from the Council held regular meetings with BT to review plans to improve performance, including making sure measures were taken to ensure internal controls operated.

Work is on-going with BT to address the issues raised in this statement and additional resources are being applied by them and the Council to resolve the issues as soon as possible, although over the period improvements have been made we are unable to say with confidence when the system and service will be fully operational.

In order to undertake an effective internal audit whereby reliance can be placed on the testing undertaken, there needs to be confidence that the system being reviewed is operating in a stable environment with changes properly controlled and tested prior to being implemented. Apart from the high level controls review of the Managed Service, which indicated that there were a number of areas where assurance on controls could not be given, Internal Audit have not been able to independently review the system controls and have therefore not undertaken any substantive testing during 2015/16 in the key areas of HR, Payroll and Finance. Due to problems with the system, additional internal finance and HR resources were engaged during the year by the Council to support HR and finance work, including to assist the production of the final accounts. The additional support mitigated the issues that have been experienced.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council, Councillor Stephen Cowan

Signed:

Chief Executive, Nigel Pallace

On behalf of the London Borough of Hammersmith and Fulham.

5th September 2016

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCOUNTING STANDARDS
A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

ACCRUALS
An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

ACQUISITIONS
The Council spends funds from the capital programme to buy assets such as land and buildings.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

AGENCY SERVICES
Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

AMORTISATION
The equivalent of depreciation for intangible assets.

APPROPRIATION
The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

ASSET REGISTER
A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE
The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

BALANCES
The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They are comprised of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Schools' balances.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT
An account recording financing transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CAPITAL EXPENDITURE
Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION
Costs are capitalised to the extent that they create or improve any property, plant and equipment with a useful economic life greater than one year.

CAPITAL RECEIPTS
Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

COLLECTION FUND
The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENT ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITIES
Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the council's control.

CREDITORS
Sums owed by the Authority for goods and/or services received, but for which payment has not been made by the end of the accounting period.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBTORS
Sums due to the Authority but not received by the end of the accounting period.

DEFERRED CREDITS
This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when property, plant and equipment are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED LIABILITIES
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

DEPRECIATION
A provision made in the accounts to reflect the value of assets used during the year.

EARMARKED RESERVES
These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Such events should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

FAIR VALUE
The fair value of any property, plant or equipment is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE & OPERATING LEASES
A finance lease is one that transfers a substantial proportion of the risks and rewards of the property, plant or equipment to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

GENERAL FUND
The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

GOVERNMENT GRANTS
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE
Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund. Net Expenditure is the cost of service provision after the income is taken into account.

HISTORIC COST
The actual cost of an asset in terms of past consideration as opposed to its current value.

HOUSING REVENUE ACCOUNT
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19 (FORMERLY FRS17)
This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT
A reduction in the value of any property, plant or equipment below its carrying amount on the Balance Sheet.

INFRASTRUCTURE ASSETS
Property, Plant and Equipment that are inalienable, expenditure on which is recoverable only by a continued use of the asset created. Examples of infrastructure assets include highways and footpaths.

INTANGIBLE ASSET
Property, plant or equipment that do not have physical substance but are identified and controlled by the Council, for example, purchased software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities have been required to produce full accounts using IFRS from 2010/11.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

NON-DOMESTIC RATES (NDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and shared between central and local government. The rates collected within Hammersmith and Fulham are shared as follows: Department for Communities and Local Government (50%), The London Borough of Hammersmith and Fulham (30%) and the Greater London Authority (20%).

NET BOOK VALUE
The amount at which property, plant and equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET REALISABLE VALUE
The open market value of the asset less the expenses to be incurred in realising the asset.

OPERATIONAL ASSETS
Property, plant and equipment held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility of for the service or strategic objectives of the authority.

OUTTURN
Actual income and expenditure in a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)
A contract between a public body, in our case the Council, and a private company. The private sector makes a capital investment in the assets required to deliver improved services.

POOLING ARRANGEMENTS (CAPITAL RECEIPTS)
Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. Changes introduced in 2013 mean an authority can retain an RTB receipt in its entirety when it can be demonstrated that it will be reinvested in a replacement home (known as the 1-4-1 scheme).

PRECEPT
A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

PRIOR PERIOD ADJUSTMENTS
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT

These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year (formerly referred to as Fixed Assets)

PROVISIONS
A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. IAS37 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

PUBLIC WORKS LOAN BOARD (PWLB)
A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
The amounts held by way of balances and funds that are free from specific liabilities or commitments. The council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)
The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

REVENUE EXPENDITURE
Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, Revenue Support Grant, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from NNDR and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

RIGHT TO BUY
The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the DCLG under pooling arrangements.

SERVICE REPORTING CODE OF PRACTICE (SERCOP)
SERCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Statement of Recommended Practice (SORP)), by establishing practice for consistent reporting. It provides guidance in three key areas:
• The definition of total cost
• Good Practice Guidance
• Service expenditure analysis

STOCKS
The amount of unused or unconsumed stocks held in expectation of future use.

SUPPORTED CAPITAL EXPENDITURE
This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

TRANSFER PAYMENTS
A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

USEFUL LIFE
The period over which the Council will derive benefits from the use of any property, plant and equipment.

WRITE-OFFS
Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

Summary of Reserves

Usable Reserves

The Council's usable reserves are explained below:

1. **General Fund Balances** - The General Fund includes any surplus after meeting net expenditure on Council Services.

2. **School Balances** - This balance is comprised of unspent balances of schools and other educational establishments at the year end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

3. **Earmarked Reserves** - Note 8 describes each Earmarked Reserve in detail.

4. **Capital Grants Unapplied** - These are capital grants with no payback conditions but have not yet been used to finance capital expenditure

5. **Housing Revenue Account** - This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

6. **Major Repairs Reserve** - The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.

7. **Capital Receipts Reserve** - This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general receipts.

8. **Capital Reserves** - This is to hold retained capital receipts from the sale of assets.

Unusable Reserves

The Council's unusable reserves are explained below:

1. **Revaluation Reserve** - The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:
• revalued downwards or impaired and the gains are lost
• used in the provision of services and the gains are consumed through depreciation, or
• disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2. **Capital Adjustment Account** - The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

3. **Deferred Capital Receipts Reserve** - The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

4. **Pensions Reserve** - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits

5. **Financial Instruments Adjustment Account** - The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

6. **Available for Sale Financial Instruments Reserves** - The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
• revalued downwards or impaired and the gains are lost
• disposed of and the gains are realised.

7. **Collection Fund Adjustment Account** - The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

8. **Accumulated Absences Account** - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.